





## Letters to the Editor

BRACKEN HOUSE, CANNON STREET, LONDON, EC4

## Industrial relations code • Small firms and EEC

Sir,—In John Elliott's interesting and informative article of October 27 he refers to the "mass of comments" Robert Carr has received on the draft Code of Industrial Relations Practice from companies, employers' associations and other bodies.

One of our concerns in The Industrial Society (one of the bodies to which John Elliott refers) is that, perhaps predictably, the many companies that are already individually practising much of what the draft code is preaching are not coming forward in support of it. There is a real danger that the Minister and his advisers will be modifying the code in the light of the criticisms of management pressure groups (with their perfectly legitimate standpoints) without taking into account the silent achievement of industry.

Certainly the draft code can be criticised, but it would be a tragedy if it were watered down. It should, if anything, be strengthened and extended—not emasculated. Admittedly there is provision for the code to be periodically revised, but the form in which it first appears will set the pattern for the future. It is important to get it as near possible right first time.

## Achievement

John Elliott refers to the status quo issue. We are much more concerned about the achievement of change, of which the status quo issue is but one form—a negative and narrow one. The achievement of change, whether in organisation, technology, marketing policies, manning levels, pay structures or whatever, is essential for, at worst, the survival and, at best, the prosperity of industrial undertakings and the economy as a whole. It needs to be included in the code, not as a pious hope, but because the Minister says that the code aims to "bring the standards of the majority much nearer those of the best."

There are already collective agreements between companies and unions with clauses to the effect that the company agrees that before implementing alterations to conditions of employment or major changes in established work practices it will consult the unions and resolve any consequent issues through the negotiating procedure. That is how the achievement of change looks in a procedure agreement,

but there are of course other ways in which it could be brought into the code, for example in the communication and consultation section.

Patrick Tolfree,  
Industrial Relations Department,  
The Industrial Society,  
Robert Hyde House,  
48, Bryanston Square, W.1.

## Management teaching

Sir,—The Second Report of the NEDO Management Education, Training and Development Committee (October, 1971) is interesting and valuable and one finding in particular seems worthy of comment.

Appendix D (pp. 10-11) is a plea that a greater volume of public funds should be made available for the support of post-graduate students and that "emphasis should be put on encouraging the post-experience student." The prominence given to the need to attract students with experience is to be welcomed. It seems to us that at the present time far too high a proportion of grants from public funds goes to the support of the immediate post-graduate, sans-experience student, and that this is undesirable not only because it means that the seeds of management learning are falling for the most part on stony and unprepared ground, but equally important because the inexperienced and consequently unexercised nature of his immediate post-graduate audience fails to demand the best standards of the management teacher or to promote them in the teaching method.

If management teaching is to be meaningful and progressive it must be conducted in an atmosphere of critical discussion based on practical experience. T. E. A. K. Jackson,  
Principal of the College and  
Doyen of the School of  
Management Studies,  
The St. Helens College of  
Technology,  
St. Helens, Lancs.

## A call for smelly gas

Sir,—Why do we humans often look for complex solutions to simple problems? Your October 27 Technical Page reported on a device which gives warning when

natural gas concentration rises to a dangerous level in flats, offices and homes. While the device does, as stated in the article, have application in industry, it is far more expensive and less reliable than the human nose for home and other applications where people are normally present.

In at least one other country, small but non-toxic amounts of foul-smelling mercaptans are injected at the works into natural gas for commercial and home use. With normal combustion, there is no objectionable smell; when there is a piping leak, or when the flame unexpectedly goes out, humans (and the local gas board) soon know about it!

How many gas mishaps must occur before this simple, effective method is universally applied in Britain?  
Leonard Hollander,  
"Hollow Dene," Chilworth Road,  
Chilworth, Southampton.

## Transport in rural areas

Sir,—Ours is indeed an odd Western State. We provide doctors, hospitals, clinics, libraries, community centres, swimming pools, old people's clubs and numerous other services, yet we do not provide the means of getting to them. Even those bus services still running are on a downward spiral because the fares are so high.

I know people in this village in their 70s who walk the two miles into Stroud because they cannot afford bus fares out of their pension. Where there are no services, or they are so infrequent as to be useless, people have to hitch-hike, which is a very dangerous way of travelling, especially for young girls. Only yesterday I picked up an old lady walking to her doctor for a prescription. She admitted it was a great effort as she suffered from a spinal complaint, but had no one to send.

Most legislators, be they local councillors or MPs, are car owners and have no idea what it is like trying to get about without one. It is easy to talk about getting lifts but difficult to find someone going to a specific place at a specific time. Anyway, most people dislike asking favours.

I think anyone who has any influence on transport policy should try doing without a car for a month, preferably living in a fairly remote village. He would then realise that a

National Transport Service is as necessary as a National Health Service.

The car is a great liberator for those who can afford it. Their liberation is, however, at the expense of poorer and weaker members of the community. As Mr. Norton pointed out, car owners are subsidised because so many huge items are paid for out of general taxation. Public transport is costed differently and must "pay." In other words, our way of life is distorted because of problems of accountability and semantics.

Surely we should start thinking again about the whole problem, from first principles. (Mrs.) H. M. Derrick,  
The Change, Ramditch,  
Stroud, Glos.

## East Pakistan refugees

Sir,—Your New Delhi Correspondent reports (October 27) that Mrs. Gandhi "will ask Western leaders somehow to use their influence with the Pakistan Government to secure a change of policy which will enable the return of refugees."

Perhaps, Western leaders will use their influence with Mrs. Gandhi to secure a change of the Indian Government's policy of initiating, instigating and assisting guerrilla operations from Indian territory.

What is holding back the refugees is the constant shelling by Indian artillery across East Pakistan's borders and guerrilla operations, in the words of your correspondent, "being launched with the concurrence of Indian authorities."

So far as the Pakistan Government's policy is concerned, it has sought to reassure all Pakistani nationals who crossed over to India by proclaiming a general amnesty. It has urged them to return and has set up reception centres from where to take them to their homes and arrange for their relief and rehabilitation in co-operation with United Nations agencies. It has accepted the UN Secretary-General's proposal of stationing UN observers on the borders of East Pakistan and India to supervise the return of refugees. It has offered to withdraw troops to mutually agreed distances to defuse tension. It has welcomed the UN Secretary-General's offer of good offices and invited him to visit India and Pakistan.

What steps, one might ask, has

the Indian Government taken to encourage the repatriation of refugees? By exacerbating tension on the border, by indulging in virulent hostile propaganda, by rejecting direct talks with Pakistan, by openly abetting forces seeking to dismember Pakistan, it has sedulously created a situation calculated to inhibit the refugees from returning to East Pakistan.

Abdul Qayyum,  
Press Counsellor,  
Pakistan High Commission,  
35, Lombard Square, S.W.1.

## More plays in committee

Sir,—While we are on committee plays, what about the ball-point clicker and the horn-rimmed spectacle-whipper-offer? The latter has almost been replaced by the half-pence-peeper-up-the-topper.

F. H. Smith,  
6, Egley Drive,  
Mayford, Woking.

## High capital investment

Sir,—I wish to take issue with the apparently obvious and innocent remark made by Mr. John Davies as reported in the Financial Times of October 28. Mr. Davies said everyone was aware of the relatively low level of industrial investment from which Britain had suffered over many years.

In fact from January 1966 to October 1970 capital investment in plant and machinery has been heavily subsidised by investment grants and before January 1966 had investment allowances. Since October 1970 the first year capital allowance has been 80 per cent and is now 60 per cent.

If capital investment has been too low it is certainly not as a result of government neglect. In fact with all these subsidies an objective observer might well conclude that far from being too low, investment has been artificially high.

Further support for the view that our capital investment has been too high derives from the fact that interest on capital has been omitted from most cost calculations to ascertain whether capital was cheaper than labour in producing a given output. Interest on capital would be a very material item of cost. With nil

scrap value and 3 per cent interest for 10 years the average interest is more than 4th the straight-line depreciation.

With higher rates of interest and high scrap values the interest element will be still higher as compared with the depreciation element in cost. There is nothing sinister about the omission of interest from cost, quite simply hardly anyone knows how to calculate the interest per unit output.

P. L. Griffiths,  
41, Gloucester Place, W.1.

## Secretaries &amp; statistics

Sir,—May I comment on the article in the Financial Times of October 27 concerning the salary scale, habits and afflictions of secretarial staff?

A worthwhile secretary—irrespective of her age group or place of work—should be able to command a salary equal to the value her employer places on her—not the "average figure" quoted by Alfred Marks, or any other bureau. If she has the ability and sense to render herself invaluable to the businessman-in-her-life, and is not recompensed accordingly, the solution is in her own hands.

Regarding the article's alarming statistics on health and hygiene, are the country's top tycoons really interested in their secretaries' susceptibility to headaches, toothache, and drug addiction? Or in the fact that 38 per cent had been sickly, and 19 per cent, immersed once a week? And what of the remaining 43 per cent? I like to think they told the compiler of these useless statistics to mind his own business.

Sadie M. Paterson,  
9 Monkton Road,  
Prestwick,  
Ayrshire.

## Exhaust fumes in London

Sir,—Mr. Rogers, in his article on October 30 clearly disagrees with Mr. Ralph Nader's statement regarding the polluted air of London. I fear that Londoners have ceased to be aware of the polluted air in London because they have become so accustomed that it is now a part of their lives. I have just returned to work in London after nearly three

years in the country. Although it is true that smoke from domestic chimneys has been drastically reduced, I can say quite categorically that vehicle exhaust has made the air almost unbearable. The worst offenders are London Transport, the Post Office and vehicles belonging to industrial companies (for instance diesel engines). I am sure it is this to which Mr. Nader was referring. Positive measures are needed now to prevent London becoming like Tokyo.

C. B. Denning,  
19, Comptons,  
Hollybourn, Alton, Hants.

## Warning on pollution

Sir,—In your issue of October 21, you reported that Mr. A. I. Biggs, in a paper presented to the Production Engineering Research Association, had warned that resources available for pollution abatement were not limitless.

I think that Mr. Biggs and those who think as he does should be warned that our planet earth is a sphere, is finite in size and has a capacity for absorbing pollution that is not limitless. Perhaps Mr. Biggs would care to opine as to which side will prevail in the long run.

H. G. Darby,  
Lammoth Park,  
South Godstone,  
Surrey.

## EEC and the small firm

Sir,—I should like to add to John Mortimer's comments (October 26) on the effect that joining the EEC is likely to have on Britain's 80,000 small firms. At Enterprise we have just received results of our own inquiry into the attitudes of small firms to the EEC. Broadly, the majority are optimistic, but their optimism is based on knowledge that the small firm stands a good chance of survival, whatever the conditions. Because of its flexibility, despite this natural optimism there is a feeling of frustration because they feel that their case has not really been considered.

This supports Mr. Mortimer's arguments. But perhaps what is even more astonishing is that the Bolton Committee of Enquiry, due to report some time during the next few weeks, was not even asked to consider the possible effects of EEC entry on

the small firm. Indeed, it did not even get a brief mention in its terms of reference. Moreover, there is very little information available to the small firm, certainly no means of comparison with firms of similar size and product group within the EEC. Apart from occasional visits by CBI teams there is no representation at Brussels for the small firm.

We at Enterprise are trying to persuade this Government to provide the right sort of information and the right sort of climate for the small firm. But the first step ought to be to request the Bolton Committee, or what is left of it, to follow up its inquiry with a report on the EEC. And that a sensible deadline be set so that any recommendations to go our small firms on the same case as their counterparts within the EEC could be implemented before final entry. This surely is the least Britain's small firms can expect.

David J. Instance,  
Managing Editor,  
Enterprise,  
Maidstone Road,  
Paddock Wood,  
Kent.

## Small business services

Sir,—I was surprised to read under the above heading (Oct. 28) that there was an unfulfilled demand for a central agency to categorise the "multitude of (management) services available to small firms."

In addition to the BSM register of consultants and BMSO publications on advisory services, the linked network of local productivity associations provides this service for member and non-members alike. Dozens of inquiries per year are dealt with from "Amalgamation—when can it be arranged?" to "Valle Analysis—Is there a reliable consultant?" If the information or service is not available in the area, another association is almost certain to have the answer.

In most industrial areas the majority of small firms have been personally contacted to bring the service to their notice, and are circulated at monthly intervals. J. B. Aldred,  
Productivity Officer,  
British Productivity Council,  
Bristol and Bath Association,  
40, Whiteladies Road,  
Clifton, Bristol.

## ART GALLERIES

COLNAGNI'S, 14, Old Bond Street, W.1. Exhibition of 19th and 20th Century Drawings by 100 artists. Monday to Friday, 10 a.m. to 5.30 p.m. The exhibition will remain open until Friday, 28th November.

KAPLAN GALLERY, 5, Duke Street, S.W.1. S.W.1. MICHAEL COLLE (1872-1948) Exhibition. Monday to Friday, 10 a.m. to 5.30 p.m. The exhibition will remain open until Friday, 28th November.

MARLBOROUGH FINE ART, 6 Albemarle Street, W.1. Ben Nicholson new relief. Daily 10.30-5.30, Saturday 10.15-5.00, Sunday 12.15-5.00.

ROLAND BROWNE & DELBONCO, 15, Cork Street, W.1. PAUL KLEE—50 watercolours on loan. Daily 10.30-5.00, Sat. 10.1-5.00.

ROYAL SOCIETY OF MARINE ARTISTS, Guildhall, E.C.3. 10.5-5.0 Mon-Sat. Free until Nov. 10.

ALPINE GALLERY, 74, S. Audley St. W.1. RUSSELL GARDNER. Mid. Fri. 11-5.30, Sat. 10-2, 2nd-13th Nov.

## EXHIBITIONS

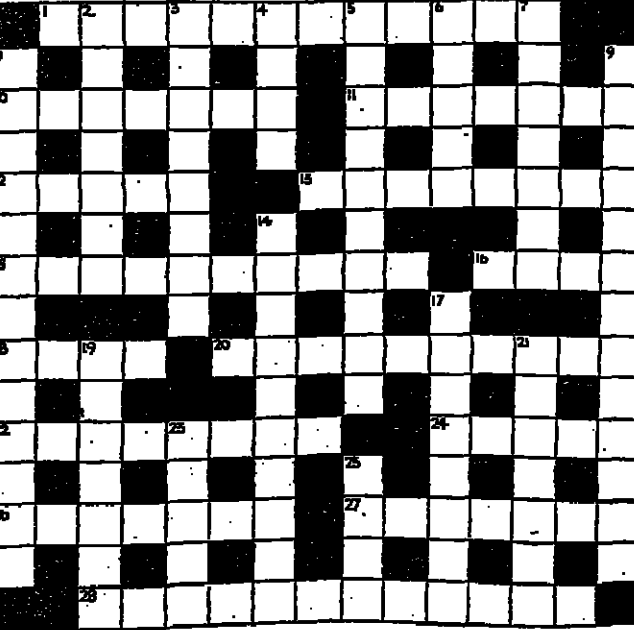
THE SLAUGHTER TRADITION 1871-1921. A Complete Contribution to the FINE ART SOCIETY. 148, New Bond St.—until 5 November.

## CLUBS

EVE, All-in Dinner or 2 is cars from 9. Live Music. 10.2-11.2. 10.30 and 1.01-7.34 0557, 189 Regent St. W.1.

MURRAY'S CAFE, 101, Regent St. W.1. World renowned pianist 10.15 and 1.15. Ger. 4823, Beak Street, W.1.

## F.T. CROSSWORD PUZZLE NO. 1,707



- ACROSS
- 1 Not the Long Parliament creating a minor famine (5, 7)
  - 2 Manage to save the head of the house (7)
  - 3 Booked without getting Edward out of bed (5, 2)
  - 4 Authentic Frenchman goes to the country (5)
  - 5 Don't wish to do any harm during wretched spring (4, 4)
  - 6 Attractive centre at Highbury ends in a sorry state (6, 4)
  - 7 Don't let crooks make a come-back (4)
  - 8 Part of church visible from the cheap seats (4)
  - 9 Bonneted glutton gets a bad bargain (3, 2, 1, 4)
  - 10 A number word steadily with such wool (5-3)
  - 11 Bill Hill is a man of parts (5)
  - 12 He is able to say goodbye to a church music (7)
  - 13 Rust no Rolls Royce in 4 dle-plays (7)
  - 14 Colour offensive to the hunt (25, 4)
- DOWN
- 1 Landlord given time to find security (7)
  - 2 Allows back into stream I'd diverted (8)
  - 3 Rules taken care of by editor on his return (4)
  - 4 Evening dress costing £500... (6, 4)
  - 5 ...frequently belonging to X (5)
  - 6 "Our sweetest songs are those that tell of — thought" (Shelley) (7)
  - 7 Intensive training could be regarded as cheating (5, 8)
  - 8 Perfect for sweet to be in perfect condition (5, 3, 5)
  - 9 Climbing Everest is a difficult business (8, 4)
  - 10 "progeny of learning" (8)
  - 11 Fiddlers combined to lay down conditions (7)
  - 12 Overcoat is old-fashioned (7)
  - 13 A long time to muse (5)
  - 14 Look over southern preserve (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

## \*Indicates programme in black and white.

## BBC 1

9.35 a.m. For Schools, Colleges.  
12.00 Harry's Heating Co. Ltd. 12.50  
A Chance To Meet: Rt. Hon. Robert Carr, MP. 1.30 On The Farm: Watch with Mother. 1.45  
Newspaper School. 2.00  
4.10 Design Education: part 1. 4.25  
4.35 Adventures of Parsley. 4.40  
Jackanory. 4.55 Blue Peter. 5.20  
The Witch's Daughter. 5.34 Magic Roundabout.  
6.00 London This Week. 6.20  
6.25 Entertaining With Kerr. 6.45  
6.45 Ask the Family. 7.00  
7.05 Z Cars. 7.30  
7.35 Now, Take My Wife... 7.45  
7.50 Starting Sheila Hancock, Donald Houston and Liz Edmonstone.  
8.00 Panorama. 8.00  
8.00 Nine O'Clock News. 8.10  
8.10 The Troubleshooters. 8.15  
8.15 24 Hours and Son. 8.20  
8.20 24 Hours, part 4. 8.25  
All Regions as BBC 1 except at the following times:  
Wales—1.30-1.45 p.m. Ar Lin Mam. 6.00-6.20 Wales To-day. 6.20-6.40 Party Conference. 6.45-7.05 Heddau. 7.20-8.00 Fo A Fe. Scotland—6.00-6.20 10.10-10.40 porting Scotland. 10.10-10.40 Castles in the Air. 11.15-11.45 Who Are The Scots? a search for the origins of the Scottish nation. part 4. 11.45 Scottish News Headlines. Northern Ireland—6.00-6.20 p.m. Scene Around Six. 11.42 Northern Ireland News Headlines. England—6.00-6.20 p.m. News from Leeds, Manchester, Newcastle; Midlands To-day (from Birmingham); Look East (from Norwich); Points West (from Bristol); South To-day (from Southampton); Spotlight (from Plymouth); 11.42 Regional News Headlines.

## BBC 2

11.00 a.m. Play School. 7.10 p.m. Dressmaking, part 5. 7.20 News. 8.00 The Best of High Chaparral. 8.50 Call My Bluff. 9.20 Horizon.

## RADIO 1

247m son: entertainment in words and music. 8.02 Jimmy Tarbuck. 8.30 Billie Holiday. 8.55 It's a Fine Thing to Sleep. 9.00 The 1971 Country Music Convention in Nashville, Tennessee. 9.15 News. 9.20 and 9.25 only between 10 p.m. and 12 midnight (2000 Edinburgh, Glasgow, Dundee and Aberdeen). 10.02 News. 10.05 Evening Sports. 10.10-10.15. 10.15-10.20. 10.20-10.25. 10.25-10.30. 10.30-10.35. 10.35-10.40. 10.40-10.45. 10.45-10.50. 10.50-10.55. 10.55-11.00. 11.00-11.05. 11.05-11.10. 11.10-11.15. 11.15-11.20. 11.20-11.25. 11.25-11.30. 11.30-11.35. 11.35-11.40. 11.40-11.45. 11.45-11.50. 11.50-11.55. 11.55-12.00. 12.00-12.05. 12.05-12.10. 12.10-12.15. 12.15-12.20. 12.20-12.25. 12.25-12.30. 12.30-12.35. 12.35-12.40. 12.40-12.45. 12.45-12.50. 12.50-12.55. 12.55-1.00. 1.00-1.05. 1.05-1.10. 1.10-1.15. 1.15-1.20. 1.20-1.25. 1.25-1.30. 1.30-1.35. 1.35-1.40. 1.40-1.45. 1.45-1.50. 1.50-1.55. 1.55-2.00. 2.00-2.05. 2.05-2.10. 2.10-2.15. 2.15-2.20. 2.20-2.25. 2.25-2.30. 2.30-2.35. 2.35-2.40. 2.40-2.45. 2.45-2.50. 2.50-2.55. 2.55-3.00. 3.00-3.05. 3.05-3.10. 3.10-3.15. 3.15-3.20. 3.20-3.25. 3.25-3.30. 3.30-3.35. 3.35-3.40. 3.40-3.45. 3.45-3.50. 3.50-3.55. 3.55-4.00. 4.00-4.05. 4.05-4.10. 4.10-4.15. 4.15-4.20. 4.20-4.25. 4.25-4.30. 4.30-4.35. 4.35-4.40. 4.40-4.45. 4.45-4.50. 4.50-4.55. 4.55-5.00. 5.00-5.05. 5.05-5.10. 5.10-5.15. 5.15-5.20. 5.20-5.25. 5.25-5.30. 5.30-5.35. 5.35-5.40. 5.40-5.45. 5.45-5.50. 5.50-5.55. 5.55-6.00. 6.00-6.05. 6.05-6.10. 6.10-6.15. 6.15-6.20. 6.20-6.25. 6.25-6.30. 6.30-6.35. 6.35-6.40. 6.40-6.45. 6.45-6.50. 6.50-6.55. 6.55-7.00. 7.00-7.05. 7.05-7.10. 7.10-7.15. 7.15-7.20. 7.20-7.25. 7.25-7.30. 7.30-7.35. 7.35-7.40. 7.40-7.45. 7.45-7.50. 7.50-7.55. 7.55-8.00. 8.00-8.05. 8.05-8.10. 8.10-8.15. 8.15-8.20. 8.20-8.25. 8.25-8.30. 8.30-8.35. 8.35-8.40. 8.40-8.45. 8.45-8.50. 8.50-8.55. 8.55-9.00. 9.00-9.05. 9.05-9.10. 9.10-9.15. 9.15-9.20. 9.20-9.25. 9.25-9.30. 9.30-9.35. 9.35-9.40. 9.40-9.45. 9.45-9.50. 9.50-9.55. 9.55-10.00. 10.00-10.05. 10.05-10.10. 10.10-10.15. 10.15-10.20. 10.20-10.25. 10.25-10.30. 10.30-10.35. 10.35-10.40. 10.40-10.45. 10.45-10.50. 10.50-10.55. 10.55-11.00. 11.00-11.05. 11.05-11.10. 11.10-11.15. 11.15-11.20. 11.20-11.25. 11.25-11.30. 11.30-11.35. 11.35-11.40. 11.40-11.45. 11.45-11.50. 11.50-11.55. 11.55-12.00. 12.00-12.05. 12.05-12.10. 12.10-12.15. 12.15-12.20. 12.20-12.25. 12.25-12.30. 12.30-12.35. 12.35-12.40. 12.40-12.45. 12.45-12.50. 12.50-12.55. 12.55-1.00. 1.00-1.05. 1.05-1.10. 1.10-1.15. 1.15-1.20. 1.20-1.25. 1.25-1.30. 1.30-1.35. 1.35-1.40. 1.40-1.45. 1.45-1.50. 1.50-1.55. 1.55-2.00. 2.00-2.05. 2.05-2.10. 2.10-2.15. 2.15-2.20. 2.20-2.25. 2.25-2.30. 2.30-2.35. 2.35-2.40. 2.40-2.45. 2.45-2.50. 2.50-2.55. 2.55-3.00. 3.00-3.05. 3.05-3.10. 3.10-3.15. 3.15-3.20. 3.20-3.25. 3.25-3.30. 3.30-3.35. 3.35-3.40. 3.40-3.45. 3.45-3.50. 3.50-3.55. 3.55-4.00. 4.00-4.05. 4.05-4.10. 4.10-4.15. 4.15-4.20. 4.20-4.25. 4.25-4.30. 4.30-4.35. 4.35-4.40. 4.40-4.45. 4.45-4.50. 4.50-4.55. 4.55-5.00. 5.00-5.05. 5.05-5.10. 5.10-5.15. 5.15-5.20. 5.20-5.25. 5.25-5.30. 5.30-5.35. 5.35-5.40. 5.40-5.45. 5.45-5.50. 5.50-5.55. 5.55-6.00. 6.00-6.05. 6.05-6.10. 6.10-6.15. 6.15-6.20. 6.20-6.25. 6.25-6.30. 6.30-6.35. 6.35-6.40. 6.40-6.45. 6.45-6.50. 6.50-6.55. 6.55-7.00. 7.00-7.05. 7.05-7.10. 7.10-7.15. 7.15-7.20. 7.20-7.25. 7.25-7.30. 7.30-7.35. 7.35-7.40. 7.40-7.45. 7.45-7.50. 7.50-7.55. 7.55-8.00. 8.00-8.05. 8.05-8.10. 8.10-8.15. 8.15-8.20. 8.20-8.25. 8.25-8.30. 8.30-8.35. 8.35-8.40. 8.40-8.45. 8.45-8.50. 8.50-8.55. 8.55-9.00. 9.00-9.05. 9.05-9.10. 9.10-9.15. 9.15-9.20. 9.20-9.25. 9.25-9.30. 9.30-9.35. 9.35-9.40. 9.40-9.45. 9.45-9.50. 9.50-9.55. 9.55-10.00. 10.00-10.05. 10.05-10.10. 10.10-10.15. 10.15-10.20. 10.20-10.25. 10.25-10.30. 10.30-10.35. 10.35-10.40. 10.40-10.45. 10.45-10.50. 10.50-10.55. 10.55-11.00. 11.00-11.05. 11.05-11.10. 11.10-11.15. 11.15-11.20. 11.20-11.25. 11.25-11.30. 11.30-11.35. 11.35-11.40. 11.40-11.45. 11.45-11.50. 11.50-11.55. 11.55-12.00. 12.00-12.05. 12.05-12.10. 12.10-12.15. 12.15-12.20. 12.20-12.25. 12.25-12.30. 12.30-12.35. 12.35-12.40. 12.40-12.45. 12.45-12.50. 12.50-12.55. 12.55-1.00. 1.00-1.05. 1.05-1.10. 1.10-1.15. 1.15-1.20. 1.20-1.25. 1.25-1.30. 1.30-1.35. 1.35-1.40. 1.40-1.45. 1.45-1.50. 1.50-1.55. 1.55-2.00. 2.00-2.05. 2.05-2.10. 2.10-2.15. 2.15-2.20. 2.20-2.25. 2.25-2.30. 2.30-2.35. 2.35-2.40. 2.40-2.45. 2.45-2.50. 2.50-2







# Businessman's Diary

## 'Instant' hall for Preston

AN "INSTANT" exhibition hall covering at least 60,000 square feet is to be a feature of the 1972 Preston Guild, the trades festival held in the Lancashire town every 20 years. Davies Bryon and Co. is to erect the canvas-roofed structure which could reach 90,000 square feet if interest in the Guild continues to grow. It is planned to have 150 stands, half of which have already been sold.

The company has the U.K. rights to the Keespan system of building which was developed by the West German firm of L. Stromeyer in conjunction with the University of Stuttgart. The buildings with their canvas roofs and pre-cast concrete sides will be designed to withstand changing weather conditions over long periods. Keespan buildings are booked for the Scottish Fisheries exhibition and the Open Golf championship next year and they can be erected or dismantled at the rate of 1,000 square metres a day. To run from August 26 to September 9, the Preston Guild was first held in 1323.

## Brighton fair selling well

A SELL-OUT of space at next year's Brighton International exhibition and trade fair is expected by the organisers, partly because of the decision to join the Common Market.

In future the event, which is sponsored by local industry and the Federation of Sussex Industries, will aim to attract a greater exchange of Anglo-European business. More than a third of the previously available space has already been booked and, if necessary, additional space will be used which could double the size of the event. Government enquiries for 1972 include Holland and Australia.

## Programmed brewing

WITH some six months to go, Brewex, the International Brewing, Bottling and Allied Trades Exhibition, has 176 companies booked in including some from Germany, Norway and America. Exhibitors who have so far forecast what they will be showing range from makers of large-scale handling and packaging machinery, through automated soft drink aggregates, to programmed brewing equipment and sophisticated methods. Brewex will be at Earls Court, London, from April 17-21.

## U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Israel Fashion Week (cl. Nov. 3)	Bloomsbury Centre Htl. W.C.
To-day	Research and Clinical Lab. Equip. Ex. (cl. Nov. 5)	U.S. Trade Center, S.W.
Nov. 2-4	Welsh Packaging and Plastics Show	Sophia Gardens, Cardiff
Nov. 4-19	Careers '71 Exhibition	Blingley Hall, Birmingham
Nov. 6-11	Annual Southport Antiques Fair	Old and New Curio Halls
Nov. 10-20	International Caravan and Camping Show	Cambridge Hall, Southampton
Nov. 14-18	Int'l. Domestic and Commercial Textiles Exbn.	Earls Court
Nov. 15-17	Leisure and Outdoor Furniture Exhibition	Mnt. Royal & Mostyn Htts. W.
Nov. 15-17	National Low Cost Automation Exhibition	Royal Lancaster Hotel, W.
Nov. 16-18	Italian Fabrics Exhibition	Belle Vue, Manchester
Nov. 17-27	International Building Exhibition	Italian Trade Centre
Nov. 21-24	Camping Trade Exhibition	Olympia
Nov. 23-25	Scottish Electronics Exhibition	Exhibition Centre, Harrogate
Nov. 23-25	Wholesale Buyers' Gift Fair	Waverley Market, Edinburgh
Nov. 28-Dec. 2		Mount Royal Hotel, W.

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Aerspace Show (cl. Nov. 3)	Nagoya, Japan
Current	International Household Fair (cl. Nov. 15)	Charleroi, Belgium
Nov. 3-5	European Fashion Fair	New York
Nov. 3-14	International Motor Show	Turin
Nov. 6-9	Clothing Textiles Trade Fair	Brussels
Nov. 6-14	International Caravan and Camping Show	Utrecht
Nov. 8-13	International Furniture & Port Equip. Exbn.	Amsterdam
Nov. 9-13	Int'l. Shipbuilding Fair	Belgrade
Nov. 13-21	International Bathroom Show	Stockholm
Nov. 14-19	Anti-Pollution Exhibition	Milan
Nov. 15-18	National Business Show	Montreal
Nov. 18-25	British Agricultural and Food Processing Exbn.	Tel Aviv
Nov. 17-23	Communal Catering Exhibition	Basle
Nov. 18-23	International Building Exhibition	Brussels
Nov. 18-23	International Cycle and Motor Cycle Exhibition	Milan
Nov. 20-27	Camping, Outdoor Sports and Furniture Exbn.	Brussels
Nov. 22-27	International Machine Tool Exhibition	Zagreb, Yugoslavia
Nov. 23-26	International Clothing Textiles Exhibition	Frankfurt
Nov. 25-29	Furniture Show	Brussels

## BUSINESS AND MANAGEMENT CONFERENCES

To-day	IPM: Computer Personnel in Management	Cannock, Staffs.
Nov. 2	Institute of Directors Annual Conference	Royal Albert Hall, W.
Nov. 3	Metropolitan Board: Managing Man's Engineering	Mayfair Theatre
Nov. 3-4	Brunei University: EEC - Problems & Opportunities	Heathrow
Nov. 4	BCE: National Building Maintenance Conference	Royal Garden Hotel, W.
Nov. 4-5	Method Development Group: Job Evaluation	Woodhouse Square, Leeds
Nov. 4-5	InComTec: Investment Appraisal	The Criterion, W.
Nov. 4-5	BIM: Management by Objectives	Richmond Gate Htl. Surrey
Nov. 4-6	International Specialist Suppliers Annual Conf.	Hotel Majestic, Harrogate
Nov. 8	Gillett Bros.: Competition and Credit Control	Savoy Hotel, W.C.
Nov. 8-11	Central London Poly: Cap. Expenditure Budget	3rd Marylebone Road: N.W.1
Nov. 8-12	NCB Computer Power: Operations Management	Cannock, Staffs.
Nov. 8-12	P-E Consulting Grp.: Production Management	P-E Centre, Egham
Nov. 8-12	Dunchemb Staff College: Accounting Systems	Dunchemb, Rugby
Nov. 8-19	Engineers House: Basic Work Data	Clifton Down, Bristol
Nov. 9-10	Industrial Society: Succession Schemes	Memorandum Hotel
Nov. 9-10	James Morrell: Britain and the Common Market	Savoy Hotel, W.C.
Nov. 10	Building Research Station: Sound Insulation	Garston, Watford
Nov. 10-11	Management Studies Centre: Practical Pricing	Piccadilly Hotel, W.
Nov. 10-11	IPC Bus and Ind. Training: Technology for Profit	Connaught Rooms, W.C.
Nov. 10-11	Infod Int'l. Institute: Effective Management	Hilton Hotel, W.
Nov. 10-11	Financial Times: Tax Reform (VAT & Corp. Tax)	Europa Hotel, W.
Nov. 10-12	Inst. Mktg.: Construction in France	Connaught Rooms, W.C.
Nov. 16	Nat. Inst. Ind. Psychology: "Man at Work"	Congress House, W.C.1
Nov. 16-17	MCL: Stock Control and Reduction	Prince of Wales Hotel, W.
Nov. 17	London Chamber Commerce: Office Environment	Elizabeth Suite, E.C.
Nov. 17-20	Strategic Management: Integrated Marketing	Royal Bath Hotel, Bath
Nov. 18	Inst. Chart. Secs. and PERSA: Going Public	Melton Mowbray
Nov. 18-21	Bristol University: Buildings for Agriculture	Tyndall Park Rd. Bristol
Nov. 22-26	Barry Mitchell: Incentives Course	Beeston, Nottingham
Nov. 23	Fin. Techniques: Managing the Smaller Company	Royal Lancaster Hotel, W.
Nov. 24	BSC: The Industrial Relations Act and After	St. Ermy's Hotel, S.W.
Nov. 24-25	Planned Action: EEC Industrial Integration	
Nov. 24-25	Investors Chronicle: Financial Times: Unit Linked	
Nov. 24-25	Investment and the Public	
Nov. 24-25	Guardian Bus. Servs.: Decision Techniques	Inn on the Park, W.
Nov. 25-26	Clark Johnson: Managing Computer Staff	Challoner Club, S.W.
Nov. 25-26	EA for Bus. and Ind. Management Controls	Kenilworth Hotel, S.W.
Nov. 28-Dec. 2	Wales Int. Mngt.: Managing Corp. Finance	Angel Hotel, W.C.
Nov. 29-30	School of Bus. Admin.: Presentation of Accounts	Coburg Hotel, W.

## COMPANY NOTICES

### Notice of Annual General Meeting and Extraordinary General Meeting

## Gold Fields

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Consolidated Gold Fields Limited will be held at the Grosvenor Hotel, 20 Aldermanbury, London EC2 on Tuesday, 23 November 1971 at 11 a.m. to receive the report of the Directors and the accounts for the year ended 30 June 1971 and the report of the auditors thereon, to authorise the Directors to determine the remuneration of the auditors and:

As ordinary business to consider and, if thought fit, to resolve:

1. That a final dividend of 4.4p per share, less tax, be declared on the ordinary shares of the Company.
2. That the following be re-elected Directors of the Company: (a) Major General J. H. S. Bowring (b) Mr. J. H. S. Bowring (c) Mr. J. H. S. Bowring (d) Mr. J. H. S. Bowring (e) Mr. J. H. S. Bowring (f) Mr. J. H. S. Bowring (g) Mr. J. H. S. Bowring (h) Mr. J. H. S. Bowring (i) Mr. J. H. S. Bowring (j) Mr. J. H. S. Bowring (k) Mr. J. H. S. Bowring (l) Mr. J. H. S. Bowring (m) Mr. J. H. S. Bowring (n) Mr. J. H. S. Bowring (o) Mr. J. H. S. Bowring (p) Mr. J. H. S. Bowring (q) Mr. J. H. S. Bowring (r) Mr. J. H. S. Bowring (s) Mr. J. H. S. Bowring (t) Mr. J. H. S. Bowring (u) Mr. J. H. S. Bowring (v) Mr. J. H. S. Bowring (w) Mr. J. H. S. Bowring (x) Mr. J. H. S. Bowring (y) Mr. J. H. S. Bowring (z) Mr. J. H. S. Bowring (aa) Mr. J. H. S. Bowring (ab) Mr. J. H. S. Bowring (ac) Mr. J. H. S. Bowring (ad) Mr. J. H. S. Bowring (ae) Mr. J. H. S. Bowring (af) Mr. J. H. S. Bowring (ag) Mr. J. H. S. Bowring (ah) Mr. J. H. S. Bowring (ai) Mr. J. H. S. Bowring (aj) Mr. J. H. S. Bowring (ak) Mr. J. H. S. 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# New impetus for electoral challenge to Lynch

BY DOWNICK J. COYLE

DUBLIN, Oct. 31.

THE political wing of the official IRA, Sinn Féin (Gardiner Place), ended its annual conference here to-night reinforced in its determination to mount a major electoral challenge to Mr. Lynch, the Prime Minister, in order to determine what precise support exists within the country for aggressive republicanism.

Its opportunity may, in fact, come much earlier than even Sinn Féin would like—from an organisational point of view—since the persistent reports here this week-end that Mr. Lynch is considering a snap general election before Christmas.

The Prime Minister has now decided to take on his own back the combined Fine Gael-Labour opposition in a major confrontation on November 10 by conceding Private Members time for a motion of

no-confidence in his Minister for Agriculture, Mr. James Gibbons. Mr. Gibbons, formerly Minister for Defence, was a key State witness in the celebrated arms conspiracy trial last year involving the Minister for Finance, Mr. Charles J. Haughey, and three other men. All four accused were acquitted.

The no-confidence motion, in the name of Mr. Liam Cosgrave, the Fine Gael Leader, suggests that Mr. Gibbons missed the Dail (Parliament) in exchanges arising from the alleged arms conspiracy, and accordingly, that his conduct is unworthy of a member of the Government.

Mr. Lynch, for his part, seems determined to stand full square behind his Farm Minister, thus openly challenging the dissidents in a major confrontation on November 10 by conceding Private Members time for a motion of

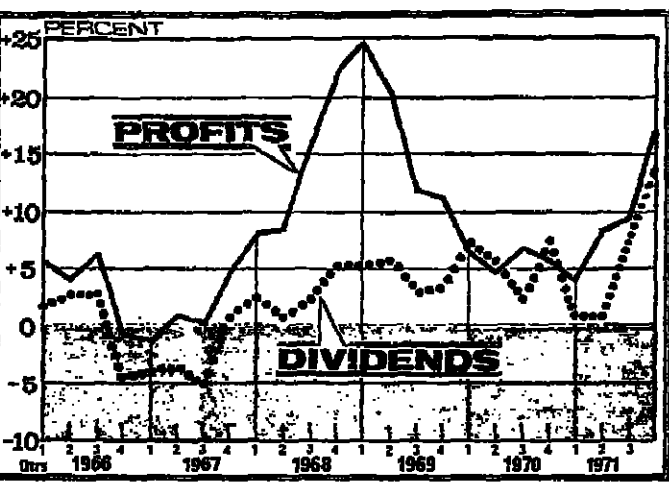
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# Big rise last month in profits and dividends

FINANCIAL TIMES REPORTER



PROFITS of industrial companies reporting in October showed a substantial improvement compared with the results which have been issued so far this year.

They showed an increase of 16.6 per cent, compared with the previous year, according to the Financial Times monthly analysis of company reports. This was double the rise in the third quarter of the year and well above the average improvement of only 2.5 per cent. for companies reporting to September.

In a month in which the number of reports analysed was comparatively small, the figures were greatly influenced by the results of two leading companies—Great Universal Stores and

Carreras. The profits of GUS, which accounted for one-third of the total were only 5 per cent. up, but those of Carreras were nearly 40 per cent. better.

Dividends of industrial companies reporting in October followed the trend of profits, being 13.9 per cent. above the level of the previous year. This shows a considerable improvement on the increase of 9.5 per cent. for the third quarter of the year and the average rise of 7.6 per cent. for companies reporting to September.

Of the leading companies reporting, GUS improved its dividend rate by 24 points to 42½ per cent. and the dividend rate of Carreras was one point higher at 15½ per cent.

# A £2,000m. portfolio for charity

BY S. A. EBURNE, A MANAGING DIRECTOR OF MORGAN GRENFELL

CHARITABLE funds are those which exist with the objectives of being applied for the relief of poverty, the advancement of education or religion, or other purposes beneficial to the community. Although this definition arose out of an executorship case at the turn of the century, it has been of the greatest significance since then in drawing the dividing line between taxable funds such as those of a proprietary club and the tax free charitable fund.

There are some 77,000 registered charities and 25,000 educational charities in existence in the U.K. at present which are entitled to charitable taxation status. In total, the amount which they spend is now approaching some £400m. a year but this figure should not be considered as the sum generated from the investment of funds.

It is, in fact, an amalgam of investment income, spending of capital for specific purposes or the sale of services, such as fees charged by a public school or rents charged by a housing trust. Approximately, three-quarters of this sum is thought to come from gifts and the sale of services, leaving £100m. which is collected from invested income. As a group, therefore, they are responsible for a not insignificant part of our national expenditure.

## Tied up

There is no known way of assessing the total resources of the charities in this country. A major part of their wealth is of necessity tied up in land and buildings required for specific purposes to fulfill their original objectives. However, if the figure of £100m. income is substantially correct it is not unrealistic to take a yield overall of 5 per cent. this arriving at a figure of £2,000m. as the value of charitable investments alone—by any standard an enormous sum.

Charities can be classified into three major groups for the purpose of considering their investment requirements. First, there is the charity financed entirely by public subscription for an appeal with a specific purpose, such as the restoration of a building. Here we have a definite time scale which is known in advance with no requirement for a continuing flow of funds. Two factors should be taken into account if

the time scale extends beyond, say, 12 months. These are the effects of inflation on the total cost of the project and the importance of effective money management on the return on the cash raised.

Over the 12 months period, an improvement of 1 per cent. in the yield on a capital sum of £1m. will increase the return by £5,000. On a note of caution, it would be most unwise, even with the temptation of possibly higher yields, for the funds to be placed in any form of investment which matures beyond the time that the capital is required.

## Small funds

Secondly, there is the problem of the small charity. In the opinion of this writer, in any fund with investments of under about £100,000 it is not economic to retain expert advice. One medium of investment for such funds is the purchase of units in a unit fund designed specifically for charities, such as the Charities Official Investment Fund. Not only is continuing management given to the portfolio, which can be invested without reference to the Trustee Act, but tax is automatically reclaimed and added to quarterly payments. This eliminates considerable administrative work for the charity.

Thirdly, there are the charities with invested funds of over £100,000, large enough to retain professional management in order to attain their investment objectives.

The typical fund not only requires current income to meet its present obligations but also to foster its capital resources for the future. The greatest problem which faces it, as indeed with most investors, is the need to prevent the erosion of real income in this inflationary age. A conscious balance must be drawn between the interests of those needing income now and those who will require income in the future. This calls for not only the preservation but the growth of "income generating" capital.

It is very difficult to generalise because of the diversity of objectives, but the average fund should be achieving a rate of return, both capital and income, of some 10 per cent. per annum compound. On a flow of funds. Two factors should be taken into account if

tion, this could be achieved by the following broad portfolio distribution:

Fixed interest, 30 per cent. (assumed income yield per annum: 8 per cent.). Equities, 50 per cent. (assumed income yield: 4 per cent.; assumed capital growth per annum: 6 per cent.). Property, 20 per cent. (assumed income yield: 6½ per cent.; assumed capital growth: 6½ per cent.).

Active management of the fixed interest portion of the portfolio can go some way towards the preservation of capital. This must involve switching between long-dated and short-dated stocks and, on occasion, a willingness to remain out of the market in cash.

The assumed capital growth rate of 6 per cent. per annum on the equity portion is very much a long-term target and, by year, is likely to show considerable fluctuations. Furthermore, it can only be achieved by a policy of investment in carefully selected ordinary shares with a reasonable degree of turnover, resulting from switching between sectors of the market where the outlook is less favourable to those where prospects for growth are improving.

## Property

Although many charities are considerable property owners with advanced techniques of estate management, it may be argued that some charities are neither large enough nor have the administrative machinery to invest in property. For those, certain tax-exempt property unit trusts are a suitable solution to this problem.

Over the past few years the fall in stock market prices and static income from investments must have made these targets extremely difficult to attain. However, 1971 has seen some recovery in markets and hence a restoration of capital values, together with a resumption of the growth of dividend income.

It is to be hoped that during 1972 the economy will experience a number of favourable trends, in reaction of the rate of price inflation and a growth of capital investment by industry and of company profits. Against this background the treasurers of charities should find their difficult task a little easier.

## WEEK-END SPEECHES

# Wilson warns the rebels: now vote with Labour

FINANCIAL TIMES REPORTER

LABOUR's pro-Common Market rebels were warned on Saturday by Mr. Harold Wilson that they must now toe the party line and vote against the Government's legislation taking Britain fully into the Market.

The Opposition Leader also warned Mr. Heath that the Government had no hope of carrying Britain into the Market on Tory votes alone.

"He cannot carry entry into Europe on Tory terms, in defiance of his election pledges," he said. "The Government do so without the full-hearted consent of the British people, as

on Thursday's vote. This I made clear at the party conference in Brighton.

This has been further reinforced by the statement last Wednesday by the chairman of the Parliamentary Labour Party, himself a pro-Marketeer, himself a member who advisedly took the responsibility of swelling Mr. Heath's majority.

"No Labour MP was elected on that mandate. No Labour MP has the right to go to his constituency party, or to the wider electorate, without whose support he could never have become a Member of Parliament, to defend such a vote."

# Barbara Castle calls for "all-out war" on Tories

MRS. BARBARA CASTLE called on Labour's Europe rebels at the week-end to help wage "an all-out war" against the Government's Common Market legislation.

The "shadow" Employment Secretary warned that it was not enough for the pro-Market rebels to abstain. The real test, she said, was whether they would toe the party line and vote against the Government's Common Market legislation.

Mrs. Castle told a meeting at the Shipdon, Yorkshire, that if the legislation was pushed through with Labour help "we shall be

experiencing coalition government on a scale not known in peace-time since the National Government."

She was "the last person to want a 'witch hunt' and welcomed statements by Mr. Douglas Houghton, chairman of the Parliamentary Labour Party, and others which, she said, showed they would "fully support" party policy.

"I hope all their pro-Market colleagues will do the same. But this means it is not enough for them to place themselves not to go into the Government lobby on the legislation," she declared.

# Tory anti-EEC MPs told: back Government

MR. JOHN BOYD-CARPENTER, a former Tory Financial Secretary to the Treasury, has appealed to Conservative anti-Market rebels to realise what harm their continuing opposition, in co-operation with the Labour Party, could do.

Speaking at Southampton at the week-end, Mr. Boyd-Carpenter (C. Kingston-upon-Thames) said that, "as a not very enthusiastic European he had voted for entry because Britain's future would be better in Europe than if we stayed outside."

But he appealed "to those in our party who took the other view to accept that it is now up to all of us to try to make the new system work as well as possible."

# Rise in leisure motoring hits National Parks

THE GROWTH of leisure motoring has "overlaid" the authorities running the 10 national parks in England and Wales and many have secretly started planning to cope with the "car explosion," says the Ramblers' Association today.

We cannot avoid the conclusion that the parks have failed to "overlaid" the objectives for which they were established," it declares in evidence to the National Parks Review Committee.

While much beautiful countryside had been protected, many intrusive developments had taken place which would have been unthinkable to the people who pioneered the parks concept.

The Association says there are no signs that the Government or park authorities are preparing to adopt a sterner line. The parks will also be seriously affected by the Government's decision to make £50m. available to aid mineral exploration, because they are largely situated on the older mineral-bearing rocks, it adds.

By 1975, the Association warns, the motorway building programme will have increased the number of people within a three-hour journey of an average national park from 11,140,000 to 14,760,000.

# London talks on Iceland fishing limits

EXPLORATORY talks will begin in London this week between Britain and Iceland on the declared intention of the Icelandic Government to extend its fishery limits from September next year from 12 miles to 50 miles.

It was agreed to hold the talks "without prejudice" after the visit to London in August of Mr. Einar Arnarsson, Icelandic Foreign Minister.

The talks will be at the level of officials and are expected to last all day Wednesday and part of Thursday.

# Construction ITB to cut levy

THE Construction Industry Training Board has confirmed it proposes a drop of nearly 22 per cent. in the total levy to be collected in 1972-73.

The levy to be raised under the proposed new rates will be about £17m. compared to about £22m. being raised in 1971-72, as predicted by the Board earlier this year and reported in the Financial Times on May 27.

# We're moving Hong Kong 7,000 miles closer to London. Today.

For the first time TV programmes will now be sent straight from Hong Kong to Europe.

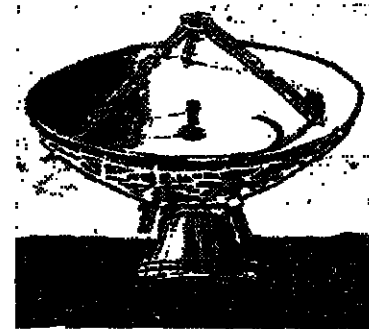
The fastest way to look round the world is by space TV. Pictures bounced around the globe in continent-straddling strides by space satellite. 22,300 miles up.



Now TV news from Hong Kong makes a single giant hop to Europe. In colour.

But until now all space communications traffic from Hong Kong has been on a one-way street. Headed East, from earth station Hong Kong II. This meant America got the picture first. Space communications bound for Europe had to be routed through North American transmission facilities—a 13,000-mile journey. There wasn't always enough room, which meant queuing up. And the extra distance cost more, too.

Now we've opened earth station Hong Kong II. Facing West. Which brings East and West about 7,000 miles closer. To be exact we've shrunk the visual distance between London and Hong Kong by 6,775 miles.



Earth station Hong Kong II. Looking Westward, with much greater capacity than Eastward-facing Hong Kong I. Much more room for telephone calls, too.

This gives Hong Kong immediate space communications links with Britain, Germany, Indonesia and Singapore. By the end of the year Bahrain and Malaysia will be added to the network. Subsequently Ceylon, India, Italy and Pakistan will be hooked up.



Business telex messages will go direct by satellite, too. It's enabled us to reduce the basic Hong Kong-United Kingdom rate by 5%.

Bringing people together is our business. We do it by television, telephone, telex and telegrams—as the largest single operator of telecommunications systems in the world. 100 years ago we began crossing the seven seas by cable. Now our space communications skip over them by satellite.

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NEW ISSUE

October 1971

¥12,000,000,000

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Due October 20, 1981

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Interest payable April 20 and October 20

Price 99½%

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## INDUSTRIAL TRAINING

BY ELSBETH GANQUIN

# Management courses and the influence of the ITBs

THE RECENTLY published survey on management training and development carried out by a Department of Employment unit for the Central Training Council included a passage on the influence of the training boards on the creation of management courses. "There are no statistics available on the size and nature of growth of courses through training grants provided by the boards," but there is a "widely held view that courses have expanded considerably, not always to the benefit of good management training."

more grant for internal courses than for external ones. "On the whole, both logic and evidence seem to support the view that boards would have done better to concentrate on encouraging firms to develop the right approach rather than spending large sums of money on the support of courses," concludes the survey.

Incidentally, the survey also brought out the fact that half of the 140 organisations the unit visited agreed that they had done no management training at all prior to the setting up of their training boards, and that the growth in management training had "been achieved despite a considerable resistance to change and despite an increasingly stringent economic climate."

It is acknowledged that the industrial training boards have been the major influences on that growth, their most effective weapons having been the levy-grant system (now in the dog house) and their specialist management development advisers.

ITBs, which brought directors and senior executives to management development seminars and provided them (in many cases for the first time) with a logically developed statement of what management training is about, did particularly well.

Another significant achievement has been the development of special courses for small firms. One ITB has helped to encourage 550 principals of small firms (up to 50 employees) to attend management courses. Another has helped 2,700 managers from companies with fewer than 250 employees to attend courses on financial and production control. "The widely held view that boards have done nothing for small firms is inaccurate," comments the unit.

Other boards, however, do not give any significant grant support for courses. "These seem to have been at least as effective in promoting management training in their industry by following the more sophisticated approach of producing management development proposals first." And a few boards actually pay

manpower business, but manpower has become something of a dirty word recently, at least in certain quarters. What use is all that planning if few of the plans can stand up to the realities of the industrial life—quite apart from the fact that, as yet, few people apparently know how to set about this business?

One organisation which claims that it does is MAP, or Manpower Analysis and Planning, whose directors are Mr. Michael Hall, at one time Esso's recruitment and manpower manager and later director of the LSE's industrial manpower project; Professor Alec Rodger of Birkbeck College (occupational psychology); Mr. Roger Sewell, who headed De La Rue's personnel function for years; and Professor Brinley Thomas, head of the economics department at University College, Cardiff.

MAP claims that, for one thing, industry's cost structure offers a high potential for manpower cost savings. "Although manpower costs are often ten times higher than capital expenditure per year they receive less careful analysis and control."

Next, manning levels are often much higher in the U.K. than elsewhere. "Although much of this difference is attributable to factors other than manpower, the order of the disparity implies that considerable improvement in productivity is possible," says MAP.

There is also great potential for savings in peripheral manpower costs, such as recruitment or redundancy schemes. "Unplanned manpower often results in casual loss, followed by panic hirings." Hiring is expensive, like the £2,640 reckoned to be the placement cost for an engineer, the £900 for a sales representative, the £300 for a clerk, and the £150 for a typist.

Finally, MAP believes that another area of potential savings is training cost. "In the process industries these are estimated at 3 to 4 per cent. of payroll—yet few companies have carried out serious cost-benefit exercises to determine which aspects of their training schemes yield the highest return."

## Objectives

Undoubtedly there has been a boom in the short-course business, "where the objectives of such courses and the benefit derived from them are very difficult to assess."

Some of the ITBs are, in fact, too generous, grant-wise, in supporting such courses. "Critics will say that indiscriminate encouragement of courses was not even a good short-term policy. Supporters of the policy will say that this reflected the reality of the way in which management training often grew before the arrival of the training boards in firms, and that at least it enabled the board to do something instead of waiting for the production of a good management development scheme."

Other boards, however, do not give any significant grant support for courses. "These seem to have been at least as effective in promoting management training in their industry by following the more sophisticated approach of producing management development proposals first." And a few boards actually pay

## Guidance

Among the survey's many recommendations were the suggestions that the training of individual managers should be extended to training management as a unit, and that more guidance should be made available on the methods of intro-

## Potential

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# 'Lack of interest' halts seminar on marketing in Europe

BY HAROLD BOLTER, INDUSTRIAL CORRESPONDENT

A SEMINAR on marketing in Europe planned for this week by P. A. Management Consultants has been cancelled and another cut back because of lack of interest among the 500 companies invited to attend.

But two other organisations, the British Federation of Master Printers and Birmingham Chamber of Commerce and Industry, which yesterday announced plans for preparing a members for entry into the Common Market, are convinced there is considerable enthusiasm for the European cause within U.K. industry.

Initially, the trades covered will be engineering components, vehicle components, and hardware and household goods. But the list is expected to be extended later.

The Chamber is also organising group visits to a number of European trade fairs next year, where companies can compare their own standards and prices with those for equivalent EEC products. Trips will be made to Hannover in April, covering engineering, and Cologne in February, for houseware and domestic appliances, and Paris in January, carpets.

A selling mission organised by the Chamber will visit Milan this month, and it will also have a venture stand at the inter-traffic trade fair in Hamburg, which starts at the end of next February.

Mr. Hugh Kenrick, chairman of

the Chamber's West Europe section, yesterday promised that the Chamber would be working out better ways of briefing all members of the latest developments affecting their plans for Europe.

These briefings will cover such topics as the development of EEC agreements with third countries, modern means of transportation and warehousing for U.K.-EEC trade, the harmonisation of standards and approvals procedures, communications, and likely changes in company law, fiscal systems and employment conditions inside the Common Market.

**Implications**

The British Federation of Master Printers is organising a conference in London on January 19 to consider the implications of membership of the EEC for British printers.

Sir Con O'Neill, Deputy Under-Secretary at the Foreign and Commonwealth Office, who leads the official side of the British negotiating team in Brussels, will open the conference.

Sir Max Bemrose, Federation president, yesterday emphasised that the new situation created by U.K. membership of the EEC would affect printers serving the domestic market as well as those trading direct with Common Market countries or planning to do so.

## THE PERAK RIVER HYDRO-ELECTRIC POWER CO. LTD.

(and its subsidiary company—The Kinta Electrical Distribution Co., Berhad).

Year to 31st July:	(£'000)	1971	1970	1969
Revenue from Sale of Electricity		7,575	6,895	6,711
Net Profit after Taxation		1,305	973	1,056
Ordinary Dividend gross		688	625	625
Capital Employed		10,102	9,547	9,208
Ordinary Dividend Rates on:				
Capital Employed		6.80%	6.54%	6.78%
Issued Capital		22%	20%	20%
Units sold (millions)		815.0	853.8	815.7

**Extracts from the circulated statements of the Chairman, Mr. Hugh G. Balfour:**

**POWER DEMAND** on the Company's system rose to a new peak of 161.8 MW last December and 915 million units were sold compared with 853.8 million last year, an increase of 7.2%. The Company generated 607.1 million units during the year, and in addition 399.1 million units were purchased from the National Electricity Board of the States of Malaya under our bulk supply arrangements.

**GROSS REVENUE** for the year to 31st July last was £7,574,970. This is 9.9% higher than in the previous year, and represents a recovery from the downward trend of the previous two years when revenue per unit fell, owing to the operation of the Company's out-dated pre-war fuel surcharge clause.

**TAXATION** Malaysian taxation for the year takes £918,695 as against £739,115 previously and United Kingdom taxation £95,000 as against £108,000.

**FUTURE PROSPECTS** It is not expected that the industrial load will increase very fast, while the mining load and power supply load should maintain their present rate of growth. In the absence of any adverse factors the Company should be able to maintain its revenue during the current financial year at about the same level as that for the year under review.

Copies of the Report and Accounts are obtainable from The Secretary, Management House, Parker Street, London, WC2B 5PS

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Handwritten note in Arabic script: "هذا من المجلد"



Overseas News

ITB

# Moves to clear Taiwan's status in world agencies

BY PAUL LEWIS, U.S. EDITOR

FOLLOWING last week's UN vote on China, there is growing concern here and in other major capitals over Taiwan's relations with the remaining world agencies, notably the International Monetary Fund and the World Bank.

Although no formal moves have been made in either case, preliminary soundings have been taken and it is likely that the whole complex question will receive a first airing later in the week when the executive boards of both organisations meet. Under last week's resolution, Peking will automatically receive Taiwan's seat on all the UN dependent agencies such as the regional economic commission's. The General Assembly's decision is also expected to be implemented by such slightly more independent bodies as the FAO and Unesco, which in fact voted to expel Taiwan and install Peking in Paris on Friday.

However, after acknowledging its rights in this field, the UN offer of a seat also said that Peking hoped the resolution would be implemented "in its entirety." Some diplomats are interpreting this to mean that at the very least Peking will want its membership rights recognised by the Fund and the World Bank which are quite independent of the UN.

In view of a number of countries, including the U.K., the vote in the General Assembly should be reflected throughout the whole body of world organisations. But in the case of the Fund and the Bank the issues raised are highly complicated and it seems unlikely that the U.S. will actually be able to retain some independent rights for Taiwan. The whole question will probably come to a head first over the IMF since membership of this body is a precondition for joining the World Bank. In the past Communist countries have refused to join either body on the grounds that they were capitalist organisations and because they disliked the financial disclosures required.

Whether Peking will feel any differently remains to be seen. Meanwhile the existing Formosan quota is in the name of the Republic of China and was based on the quota that mainland China might have had. Thus, Peking may feel compelled to oppose Taiwan's continued membership on principle and it might try to get over the disclosure problem by taking over the existing Chinese seat refusing to provide additional information. The world would then be confronted with the whole Peking membership question again.

A more detailed problem is that Taiwan has an outstanding gold tranche drawing from the Fund. This was also the case with Cuba at the time of Batista's fall and Dr. Castro, the Cuban Premier, repaid the debt although he left the organisation. Another difficulty is that the Taiwan executive director is also elected by South Korea and South Vietnam.

# Swiss elections show little change

By John Wicks, Zurich Correspondent

ZURICH, Oct. 31. FIRST results from this week-end's Swiss elections to the National Council and the States Council show a minimum of change from the 1967 polls. Complete figures will not be available until tomorrow, but it seems likely that the composition of both chambers of Parliament will be subject to no major alterations and that the make-up of the governing Federal Council, whose seven ministers are taken from the four biggest Parliamentary factions, will remain at its present composition of two Social Democrats, two Liberals, two Christian Democrats and one Agrarian.

The introduction of female suffrage and the subsequent participation for the first time of some 2m. women in the elections have had little effect. Rural cantons are almost without exception returning standing parties, primarily Christian Democrats, Liberals and Agrarians. And there are indications that the cities have voted for most of the 1967 representatives.

In Geneva, whose National Council representation has been increased by one seat, the Communists and Christian Democrats have gained one seat each, while in Basle the Social Democrats and Liberals have each lost a seat and the anti-foreigner "Nationale Aktion" won one seat.

# Pakistan claims that India is exploiting refugees

BY OUR OWN CORRESPONDENT KARACHI, Oct. 31. PRESIDENT YAHYA KHAN of Pakistan has offered to accept and welcome "any international agency" to assist the return of refugees to their homes in East Pakistan. The President rejected as "malicious insinuation" India's claim that Pakistan was not willing to take back non-Muslims.

He said: "Each and every Pakistani, whether he be a Muslim or a Hindu or of any other caste or creed, who left East Pakistan due to the recent disturbances is welcome to return to his home and resume his normal vocation."

In a statement issued from Rawalpindi over the weekend-end President said the Government would accord them all possible assistance including financial help for their rehabilitation and resettlement. He also accused India of "exploiting this human problem and employing all sorts of obstructions to prevent their return." He also accused the Indian authorities of "putting forward grossly exaggerated figures of displaced persons with a view to seeking moral and financial support from some foreign countries." The President said his Government had made a thorough check and found that a little over 2m. people had left their homes since March.

And, cables our New Delhi correspondent, the strained Indo-Pakistan relations reached such pitch that Pakistan denied permission to Soviet Air Marshal P. S. Koutakhov and his delegation to overfly its territory to reach New Delhi last night. Air Marshal Koutakhov had to take a round-about route to reach here 10 hours late as a result for his talks on India's military needs and because of tension on the sub-continent.

The Soviet Air Chief's six-day visit to New Delhi follows that of deputy Foreign Minister Nikolai Firyubov who agreed with India's assessment of the war threat from Pakistan. Talks are being held under Article Nine of the recently signed treaty of peace, friendship, and co-operation which calls for consultations between the two countries in the event of a threat to security of either, and "effective steps to remove it."

Editorial Comment Page 12

# Chiang Kai-shek faces up to isolation

TAIPEI, Oct. 31. NATIONALIST Chinese leader Generalissimo Chiang Kai-shek celebrated his 84th birthday today faced with the painful task of rebuilding his Government's shattered international prestige and restoring confidence at home. His ruling Kuomintang Party here has already taken a first step towards repairing the damage caused by the UN decision to admit the People's Republic of China to the body and expel Taiwan.

The day after the Kuomintang Party here adopted a 15-point resolution for the conduct of domestic and international affairs in the light of the new developments. The resolution among other things unanimously endorsed withdrawal from the world body and only minutes before the fateful vote. It also provided for a deep review of the Party leadership, improvement of the Party system and Government administration, accelerated economic development, expanded foreign trade and improving relations with all non-Communist countries.

President Chiang himself is showing that he still has plenty of fire despite the crisis. "The destiny of our nation is not in the hands of the United Nations, it is squarely in our own hands," he has asserted. "Taiwan was still a force to be reckoned with, and would not be pushed about or tolerate any outside interference," he declared. He also renewed his Government's determination to return to the Chinese mainland.

# Better chance

However, a possible basis for compromise arises from the fact that Fund membership is not identical with membership of the UN—as the examples of West Germany and Russia show. It is thus possible that the Fund would have a better chance of adopting a two China approach than the UN, even though Peking may never take the seat.

As regards the World Bank, the issues are even more complex. In the first place some of its statutes refer explicitly to the Republic of Nationalist China and may therefore not be affected by the UN resolution in any way. But the central problem stems from the fact that the Bank already has big development commitments in Formosa which it would theoretically be forced to abandon if Taiwan loses its seat.

# No co-operation

Particular interest is being centred on the success of the "Nationale Aktion" and the similarly xenophobic "Republican Movement." It seems now that no joint faction will be formed of these two groups in the National Council, an "Aktion" spokesman having said that his party would not co-operate with Mr. James Schwarzenbach's Republicans in Parliament in view of the allegedly unfair election campaign carried out by the latter in Zurich.

# Aid cut hurts India

BY OUR OWN CORRESPONDENT NEW DELHI, Oct. 31. INDIA will be among countries most affected by the U.S. Senate's rejection of the foreign aid bill, because on it hinged the badly needed assistance of \$250m. for the nearly 10m. refugees from East Pakistan. India's needs during the current financial year for refugee maintenance have been assessed at \$700m. by the World Bank and at the recent meeting of the Aid India consortium in Paris, but so far only about \$30m. has actually been given by various countries.

India has also imposed emergency taxation measures to meet the expenditure on the refugees, but the Government is demanding that the international community should chip in; and obviously great reliance was placed upon the U.S. The aid cut is likely to be one of the main subjects India's Prime Minister, Mrs. Indira Gandhi, will discuss later this week with President Nixon. India is in any case one of the U.S.'s major aid receivers. Over the last two decades more than \$1,000m. has been received.

# Brezhnev visit boosts Pompidou

PARIS, Oct. 31. THE five-day official visit of Mr. Leonid Brezhnev to France, which ended on Saturday, has turned out to be more of a success for President Pompidou than a triumph for the Soviet Communist Party leader.

Although there can be no doubt that Mr. Brezhnev received a warm official welcome on his first venture in the West, he has certainly not failed to notice that the public response to his presence in Paris, apart from a number of relatively minor pro-Soviet demonstrations organised by the French Communist Party, was distinctly cool. Indeed, Soviet officials are said to have complained at some of the critical comment which has appeared in the French Press.

As expected, the Soviet leader failed to persuade President Pompidou, who once again went out of his way to underline publicly France's loyalty to the Western camp, to sign a full-fledged friendship treaty. Instead, the two statesmen signed a document listing the basic principles, which both sides attach to a normalisation of relations between the two German states and their entry into the United Nations, as an essential step towards the convocation of a European security conference.

# Hard-core Rhodesian whites seek coalition

BY OUR OWN CORRESPONDENT SALISBURY, Oct. 31. RIGHTWINGERS in Rhodesia are seeking to build up a coalition of splinter groups and parties aimed at preventing any "sell out" settlement with Britain. The resignation of two prominent rightwingers from the discredited Republican alliance—which contested the general election last year losing every seat it fought—at a time when settlement speculation is rife, has once again revived the prospect of a split within the ruling Rhodesian Front should Mr. Smith settle on terms that are even remotely within the five principles.

Mr. Jack Whiting, who left the Alliance last week, says that he is taking part in the reorganisation of conservative opinion in Rhodesia. Also a former Rhodesian Front MP, Robin James, says moves are afoot to establish a new group dedicated to the political survival of the European in Rhodesia.

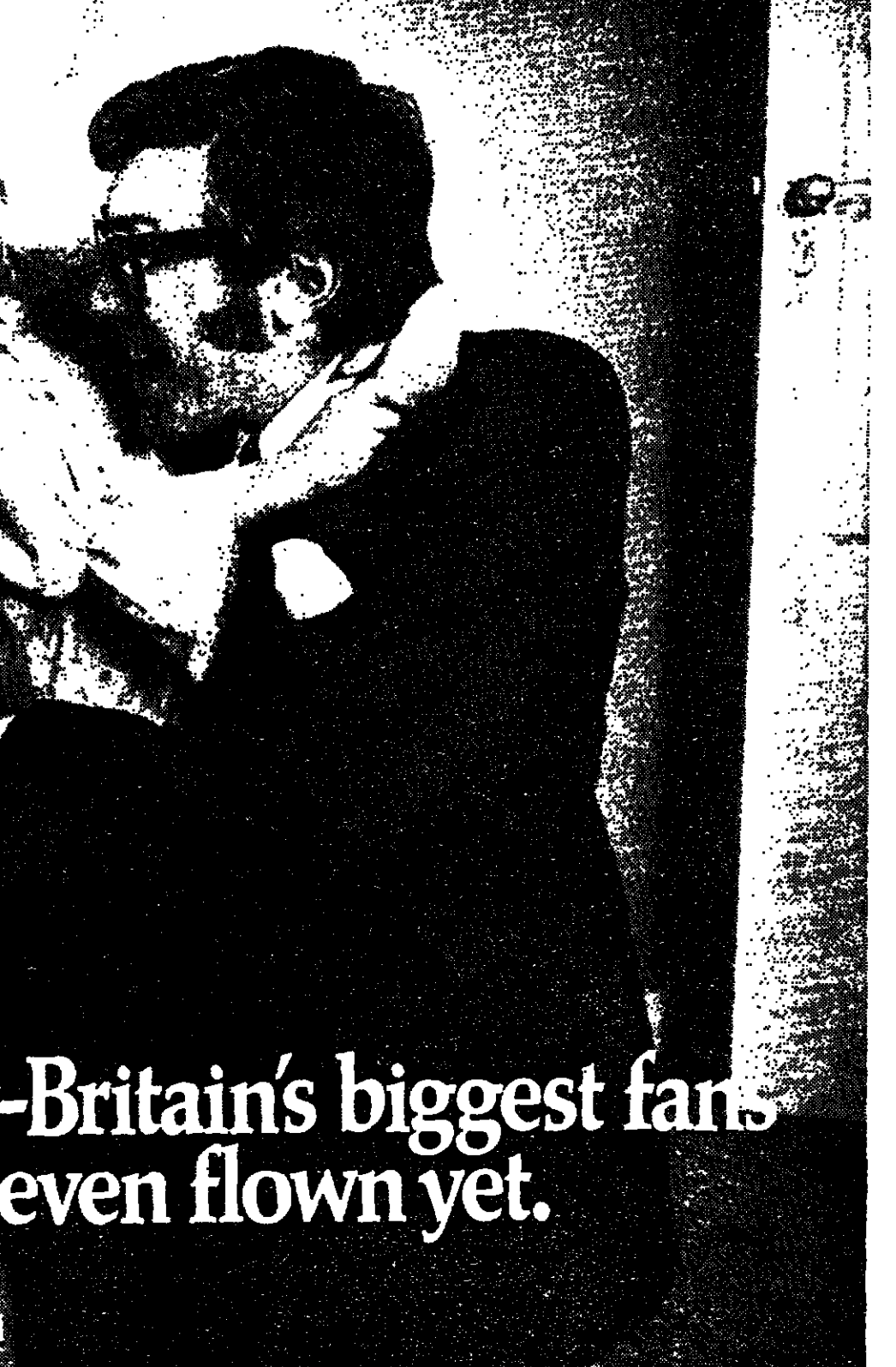
However, unless the group can attract a dozen or so MPs from Mr. Smith's party, the threat is unlikely to become a very serious one in the short term so far as the Rhodesian leader is concerned. Whether they do manage to attract a following from RF backbenchers will depend to a very great extent on the terms of any settlement which might be reached.

If Britain sticks firmly to the five principles (and it is only fair to say that virtually no one in Salisbury believes that she can or will) then there would almost inevitably be a major split within the RF. However, if Mr. Smith can demonstrate that he has managed to settle on very favourable terms, then the right wing movement will never really get off the ground. At this stage, this latter possibility is the more likely, especially as the right wing is leaderless.

# THIEU SWORN IN TO RUN SECOND TERM

SAIGON, Oct. 31. PRESIDENT Nguyen Van Thieu was sworn in for his second year of office today and in his inauguration speech spoke of the day when the toll of allied lives in the Vietnam war would end. The 48-year-old President, who was elected unopposed on October 3, with his new Vice-President, Mr. Tran Van Huong, said military, economic and social aid would still be necessary to help South Vietnam move towards self-reliance.

His inauguration, attended by 100,000 invited guests, was guarded by a giant security net of 42,000 police and troops. It went off without a hitch and there were no reports of disturbances.



## Some of Inter-Britain's biggest fans haven't even flown yet.

A lot of the people who really appreciate BEA's 'there and back in a day' service have probably never seen the inside of an aeroplane.

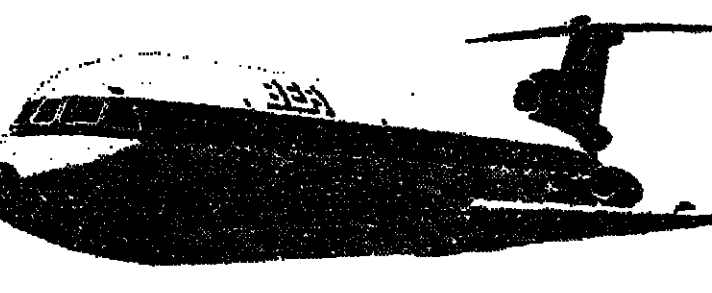
To them, 'Inter-Britain' is simply the thing that gets Dad home in time to tuck them up in bed.

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many more advantages. Speed. Frequency. Comfort. Peace and quiet. It connects 28 important places in the UK with over 1500 flights a week.

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44 flights a week First departure 0745 Last return from Manchester 1940 Flying time approx. 45 mins. Return tourist fare £16-20	33 flights a week First departure 0830 Last return from Dublin 2225 Flying time approx. 1 hour Return tourist fare £26-70	44 flights a week First departure 0810 Last return from Edinburgh 2315 Flying time approx. 1 hr. 20 mins. Return tourist fare £23-10	68 flights a week First departure 0800 Last return from Glasgow 2000 Flying time approx. 1 hr. 10 mins. Return tourist fare £23-10	46 flights a week First departure 0750 Last return from Belfast 2030 Flying time approx. 65 mins. Return tourist fare £23-10

## There and back in a day.

# BEA Inter-Britain

# Far East Command lowers flag

BY HARVEY STOCKWIN SINGAPORE, Oct. 31. ONE HUNDRED and fifty two years of British military predominance in Singapore ended today as the Far East Command flag was hauled down—and as the Command wound up at midnight. Earlier 16 ships of the Far East Fleet had commemorated the Royal Navy's much longer presence in the area with a steam-past in the Singapore Straits, with the salute taken by the retiring Far East Fleet Commander-in-Chief, Admiral Sir Brian Burnet.

Sir Brian was accompanied by the Singapore Minister of Defence and acting Prime Minister Dr. Goh Keng Swee, the Australian, British and New Zealand High Commissioners in Singapore and service chiefs. While invited, no Malaysian representatives attended.

There was also a flypast of 20 fixed wing aircraft from HMS Eagle and 30 helicopters mainly from HMS Albion, the command carrier.

It is understood that Eagle and Albion will be among the ships now proceeding to the Gulf to cover the final withdrawal from there.

Tonight I was the sole spectator as Far East Command's flag-flying continuously since 1865—and the Union Jack were pulled down for the last time by a constable of the British Ministry of Defence Police, attended by the RAF corporal working as Far East Command's last duty clerk.

At mid-night, many British connections with the area, personal as well as legal, were severed. The Anglo-Malaysian defence agreement, with its automatic commitment, expires. Britain now only retains an automatic commitment to defend the

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TURNOVER	6,465,476	4,980,896
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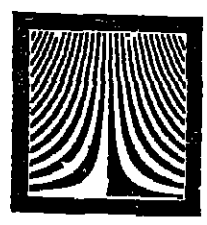
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# The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## RESEARCH

### Drawings that come to life

USING a suitable computer, a visual display CRT unit, a light pen system and the appropriate programs, it is already possible to produce engineering or other drawings on the screen which can be modified at will and rotated to allow inspection from any desired angle.

A further development of the technique has now emerged from Ohio State University in the United States which allows the creation of live three dimensional illustrations that change size, shape and also duplicate the movements of the objects they depict.

The illustrations, which are drawn on the face of the tube, respond when the artist instructs the computer to induce movement, follow a prescribed path or change from one shape to another.

The technique has been developed by Professor Charles Csuri of the university's College of Arts, and employs an IBM 1130 computer system and a 2250 graphic display unit. He believes that this technique for producing animated diagrams has educational and economic potential in schools, business, medicine, science and the television and motion picture industries.

Sequences of drawings made with the system can be recorded on video tape from the screen of the computer terminal. Then by processing the tape through a special converter, it is possible to produce a second tape that introduces any colour or combination of colours into the drawings.

The conventional method for creating animated illustrations

## ELECTRONICS

### Lasers make fine cuts

LASER systems for semi-automated trimming of resistors to fine tolerances on thick and thin film hybrid circuits have been introduced by Raytheon Company, Lexington, Massachusetts 02173.

Model SS-328 embodies a neodymium-doped yttrium aluminium garnet laser operating at 5,000 pulses per second or continuous wave. The system is capable of both straight and L-trims on deposited resistor materials on a wide range of substrate materials and can be used for circuits up to two inches square.

The new system includes such elements as a closed television viewing system for safe, real-time monitoring of the trimming; a laser energy output monitor; a power box containing a power supply, a water-cooling system, a filtered air source, and control electronics.

In operation, the output energy from the laser head, a Model CYQ-3, vaporises a series of overlapping spots on the resistor material in the circuit, which is moving at a selected rate in its work handling fixture under the laser head. The fixture can be moved at four different speeds: 0.156, 0.313, 0.625, and 1.250 inches per second.

The numerical unit controls the path of the work fixture under the visually shielded laser head. The control system can be expanded to include computer or tape control if greater degrees of automation are required.

GEORGE CHARLISH



## COMPUTERS

### Tailor-made retrieval

GETTING the right kinds of facts and figures about one's business, at the right time, is becoming more and more acknowledged as a vital competitive feature, but also recognised is the fact that "viscous" and unwieldy systems of data retrieval can cause more trouble than they are worth.

There are eight programs, one handling the search and selection of data and the others performing all the necessary checking, addition, deletion and modification of data, as well as allowing the user to sort and merge files and to print output in both tabular and graphical form.

The system is in use by ICI's Agricultural Division at Billingham where the factory management is developing a system that will record, analyse and retrieve information on plant malfunctions.

### UCC ahead of growth targets

UCC — University Computing Company — has achieved better than anticipated growth this year and the company's European network has already exceeded its business target for 1971.

Mr John Kason, formerly London director of UCC (Great Britain), and now vice-president and general manager of UCC Europe, attributes the company's progress to two significant developments. These are the discovery by companies, large and small, that they can obtain far faster turn-around at far less cost by linking up to a large machine than by maintaining their own small or medium size computers. At the same time, UCC has overcome a number of the problems that have hitherto bedevilled the economics of operating over telephone lines from the Continent.

The addition of the second large unit, a 1108, inaugurated in May of this year, has enabled the company to keep pace with steadily increasing demand both from U.K. and Continental users.

Looking to the future, Kason sees an increasing momentum in the trend towards utility networks. "There was a certain inevitability about it from the beginning," he says. "It was a question of time before we overcame the communications and computing difficulties and created the necessary confidence."

## COMMUNICATION

### Versatile hotel phone system

AN HOTEL telephone system covering early morning calls, phone security, "message waiting" and the readiness of rooms for occupation has been put on the market by Reliance Systems, of Turnells Mill Lane, Wellesborough, Northants.

A night porter's panel has two illuminated buttons for each room number together with a control switch with settings at 15 minute intervals over the early morning period. To provide a morning call, the porter pushes the appropriate button and a red light comes on by the room number. He also sets the time on the switch. At the designated time the following morning the guest's bedside telephone rings and he hears a pre-recorded message bidding him "good morning."

When the receiver is replaced the red light goes out and the green one comes on, indicating acknowledgement to the porter. If a guest sleeps through the operation the call is repeated at 15 minute intervals until he responds.

Another interesting feature is a slot beside each room number on a panel in reception into which the guest's key is put when he leaves the hotel. This cuts off his telephone to prevent unauthorised calls being made from it. The same panel is used to indicate that a written message awaits the guest in reception. Depression of a button by one of the staff illuminates a lamp on the panel and in the room.

When the guest finally leaves, the cashier pushes a panel button which advises reception and the housekeeper that the room is vacant.

When the maid cleans the room, she simply lifts the receiver causing a green lamp to illuminate on the reception and housekeeper's panels indicating that work is going on in that room. It also allows a check on the maid's progress. When the housekeeper visits the room for final inspection and is satisfied, she just replaces the receiver which extinguishes the lamps and indicates that the room is ready for occupation.

This work boat, called the Sea Truck by its makers—Rotork Marine of Bath—is warping two barges of a gross laden weight of 400 tons. The craft can be used as a detachable propulsion unit for unpowered oil-carrying barges to provide a tanker to shore service. In the somewhat confined waters of Avonmouth Docks, where the illustrated trial is being carried out, manoeuvrability and stopping power of the tug was amply demonstrated. It was being assessed for a special role in Arctic waters.

## MATERIALS

### Foam back quality improved

SILICONE additive for latex foam compounds which offers carpet manufacturers a better quality foam back is available from ICI Organics Division. DP 463, a 70 per cent. solids emulsion, improves cell structure, compression set and foam adhesion to substrate. It also enables the carpet backer to use a shorter drying/curing cycle, resulting in faster throughput.

A highly stable emulsion with a shelf-life of one year, DP 463 has been specially formulated for use in both gel and no-gel SBR systems. It is compatible with all latex formulations, and being a quality improver as well as a processing aid matches the current trend towards better quality, higher density foam backings.

While the main outlet for DP 463 is in carpet backing foams, there are applications too in upholstery and in the foam-backing of textiles. It may also be used to improve the quality of natural rubber/SBR and straight natural rubber foam insulations.

## INSTRUMENTS

### Checking lift ropes

FOR multi-rope lifts in high rise buildings a complete set of ropes costs on average £150. Severe excess tension on a single rope results in rapid fatigue failure of the heavily stressed rope, which will first exhibit signs of fretting. When this is found the whole set of lift ropes has to be replaced.

A meter has been developed which enables maintenance staff to check individual tension in each rope so that any imbalance can be corrected. The meter, Fulmer Research Institute, Stoke Poges, Slough, Bucks, states that use of this meter will increase rope life by at least 20 per cent. and by as much as 50 per cent. in detected leak.

### Modulation meter for mobiles

COVERING all the normal mobile radio bands and needing no pre-calibration, the TF 2303 modulation meter from Marconi Instruments, St Albans, Herts, is aimed at mobile radio manufacturers, users and servicing organisations.

For FM measurement the instrument indicates peak deviations up to a maximum of 15 kHz at carrier frequencies up to 320 MHz. The AM side of the instrument is designed to measure modulation depth up to 95 per cent. over the carrier frequency range 25 to 225 MHz. At UHF an AFC switch locks the local oscillator to incoming frequencies.

The instrument weighs less than 6 kg and will operate from battery or mains; the battery is a nickel cadmium type with a life of about eight hours.

### Locates engine faults

BY locating, at each engine service, faults that could lead to loss of efficiency, Van Dusen Aircraft Supplies Company, of Kidlington, Oxford, believe that IC engine maintenance schedules can be reduced together with the likelihood of sudden failure.

The company claims that this will be possible using a differential cylinder pressure tester, E2, they are now marketing. Developed in the U.S. by Eastern Electronics, the device enables mechanics to locate worn or cracked rings, defective intake or exhaust valves, scored or cracked cylinders, leaky head gaskets, and worn or stripped plug bushings.

The device, which costs £16, is used in conjunction with a stethoscope which it is claimed will quickly identify every and by as much as 50 per cent. in detected leak.

### Getting it in focus

PROJECTED images on a screen may go out of focus for a number of reasons: the photographic emulsion on the film may vary in thickness; the film may distort; optical and other components in the projector may expand. Automatic retention of focus would be a welcome development, but only if the cost incurred were small since it is arguably a simple matter to correct manually.

An invention by private inventor David Fenner, taken up by NRDC and developed into a practical system by Sira Institute, deploys the picture itself to produce correction. It uses the fact that the variations in the



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### INTERIM STATEMENT

## R. H. Cole Limited

(Manufacturing and marketing of plastics, chemicals, electronics and equipment)

### INTERIM REPORT

The unaudited results of the Group for the six months ended 30th June 1971 and comparative figures are:

	Six Months to 30th June 1971	Six Months to 30th June 1970	Year to 31st Dec 1970
	£000	£000	£000
TURNOVER	3,109	3,432	7,057
GROUP TRADING PROFIT	183	211	404
Deduct finance charges payable			81
less receivable	36	36	
GROUP PROFIT BEFORE TAXATION	148	175	323
Deduct estimated taxation	59	79	132
GROUP PROFIT AFTER TAXATION	89	96	191

The directors wish to report that Group sales for the half year expanded by 9% compared to the same period in 1970 after adjusting for the business transferred to Siemens (United Kingdom) Limited, reported in the Chairman's review for 1970. The Group profit before taxation includes £38,000 being a proportion of the compensation received for advance termination of the "Siemens" agency. The Group profit reflects progressive growth in plastics compounding, although other activities have suffered the combined effects of low demand and increased operating costs. Current trends indicate an improvement in the second half of the year.

An interim dividend of 1½p per share less income tax of 2½p (including 1½p for the year 1971) payable on 25th November to members on the register at the close of business on the 30th November 1971. (1970 interim dividend 1½p. Final 2½p)

cole

## Journalists' merger talks break down

MERGER TALKS between the 1,700-member Institute of Journalists and the 24,000-strong National Union of Journalists broke down over the week-end due to irreconcilable differences. A dual membership arrangement will continue.

A joint statement by Mr. George Lenton and Mr. Douglas Rees, presidents of the Institute and the Journalists' union respectively, said that:

"The two-day joint merger conference ended after its first day because of 'evident fundamental and irreconcilable differences between the NUJ and the IOJ on the basis of the draft rules before it'."

"The two bodies' councils are to consider what moves can now be made towards a merger and in the meantime the five-year-old dual membership arrangement between the Institute and the Union will continue."

The three main points of difference concerned:—Failure to agree on the name of the new organisation; an NUJ rejection of a rule setting up a professional council or conference and the question of registration under the 1971 Industrial Relations Act.

The union considered there should be no registration and the Institute dissented.

## Strike by 65 tugboatmen makes Tyne fleet idle

BY OUR OWN CORRESPONDENT SOUTH SHIELDS, Oct. 31

A STRIKE by 65 Tyne tugboatmen over a pay claim made the river's fleet of nine tugboats idle over the week-end. It will cause severe trade disruption at the port if it goes on.

Already one dry-docking job has been lost, and unless there is a settlement in the next few days the new 253,000-ton giant tanker Texaco Great Britain will be unable to leave the Wallsend yard of Swan Hunter on Friday to start sea trials.

The tugboatmen, whose current wage agreement expired this week-end, and on strike because they consider their earnings are low in relation to many other workers in the area, and that a new offer by Tyne Tugs is not enough.

The employers have offered a 10 per cent. increase on the basis that the cost of living had gone up by this amount since their last pay award a year ago. But this offer was rejected and negotiations broke down.

Mr. Harry Malcolm, secretary of the North-East Coast Tugboatmen's Association, said the basic rates for a 40-hour week were far too low. For example, a Tyne tug skipper received £20.50 for the 40-hour week but there were men in labouring grades at the Tyne who could get a basic £21.50.

The tugboatmen have turned down a request by the employers to put the claim to arbitration.

## Secrets Act: TUC calls for changes

THE TUC believes that the Government should not have power to take criminal proceedings except where national security is threatened. It has urged the Franks Committee, which is considering the Official Secrets Act, that Section 2 should be repealed. It also criticises the misuse of the "Confidential" marking on Government documents, and says departments should be more selective in their use.

Section 3, says the General Council in its views to the committee, affects the interests of workpeople who handle confidential information in the course of their duties.

It made it illegal for people handling confidential information to pass it on to an unauthorised person or to retain it when they have no right to do so. This related not only to information which might be a threat to national security, but to any information regarded as confidential by a Government department.

While this is of particular concern to civil servants and journalists, workers in other industries receive confidential information, and so do trade union representatives in the course of their work.

The General Council does not dispute that governments should have powers to prosecute those persons who act in a manner prejudicial to national security, but these powers were provided in Section 1 of the Act, and Section 2 should be repealed.

## Solicitors defend fixed house fees

SOLICITORS yesterday hit back at the reported intention of the Lord Chancellor to end the system of scale fees chargeable in house sale transactions.

The British Legal Association, representing about one seventh of solicitors in England and Wales, in conference at York, passed a motion opposing "the unjust proposal attributed to the Lord Chancellor to compel the solicitors' profession to treat as maxima only the conveyancing scale fees accepted years ago on the swings and roundabouts principle," but which do not provide fair remuneration for the transaction of maximum complexity.

Mr. Arnold Wexler, who proposed the motion, said the scale fees were fixed about 18 years ago when the average house price was about £1,500. But now it was about £7,500.

Inflation had halved the value of the scale fee, and the rapid introduction of land reclamation was reducing its value still more.

Successive Lord Chancellors of both major political parties have asked the profession in the national interest to withhold applications for increases in fees and the profession has responded in the national interest," he said.

If the Lord Chancellor's reported proposal took effect, the Association would fight tooth and nail for increases in the scale, and would fight even harder to end the political control over the profes-

sion by the Lord Chancellor who exercised a stranglehold.

Mr. Jeffrey Gordon, a London solicitor, said that large profits easily earned in conveyancing were frequently illusory. Often a conveyancing transaction was not necessarily any more profitable than a county court case, despite the enormous man-hours that might go into it.

Mr. Ivan Geffen of Walsall, said that much development had been carried out in the west Midlands by companies with individual firms of solicitors had been associated.

They provided an example of how a combination of "holding out" (holding out is willing to undertake conveyancing at less than the scale fee), and price cutting had affected the client. In every case where there had been a loser it had been the client.

## BEA plans for 3.1m. winter passengers

BEA plans to carry 3.1m. passengers this winter, compared with 2.8m. last winter, an increase of 9 per cent.

This is largely due to the changing habits of the British holidaymaker. A spokesman said: "More people are taking winter and 'split' holidays, and this means a big expansion in business."

To meet the demand BEA is offering more jet capacity and 85 per cent. of flights will be by Trident and Super One-Eleven jets. The winter schedules begin to-day.

**£150,000 FOR A  
CITY'S FACELIFT**

"Operation clean-up" to make Nottingham more attractive is planned by the city's public works committee at a cost of £150,000. About £1,000 of this will be spent on an anti-litter campaign.



# FT Monthly Survey of Business Opinion

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## GENERAL OUTLOOK

### Cost trends ease but no recovery yet

INDUSTRY is now expecting the rate of inflation to slacken appreciably. The expected rise in costs has now fallen to less than 6 per cent. This time last year the median forecast was more than 10 per cent. Predictions about future price increases have likewise declined. The median forecast for price increases over the next 12 months is now just over 6 per cent.

Both improvements reflect increased optimism about the future trend of wage costs. Over three-fifths of our all-industry sample are now predicting increases of 5-9 per cent, whereas only a few months ago the same proportion was forecasting in-

creases in the 10-14 per cent range. This part, however, business conditions show neither little change nor very many grounds for optimism. The recovery which has set in in one or two sectors—car sales and private house-building, for example—is clearly taking time to spread more generally.

In the case of mechanical engineering—one of the three sectors surveyed this time—this is not particularly surprising. A revival in home orders for engineering capital goods could well take some time to come through. Not before the second or third quarters of 1975 is one fairly widespread view in the industry, and even that is some-

times said more in hope than in expectation.

Chemicals/oils and shipping, the other two groups covered this time, tend to be more sensitive to business conditions generally. Yet in neither case is any great optimism shown either about present order and output trends or about future expectations. Both sectors are of course vulnerable to world trading conditions, and the trend of events so far since President Nixon announced his balance of payments measures on August 15 hardly gives grounds for great optimism.

On the whole, though, export prospects still appear to be regarded as reasonably promising. Engineering seems to be especially hopeful on this score, despite recent cost trends.

## GENERAL BUSINESS SITUATION

Are you more or less optimistic about your company's prospects than you were four months ago?	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
More optimistic	41	50	60	60	35	52	52
Neutral	51	41	30	37	57	47	48
Less optimistic	8	9	9	3	8	1	—
No answer	—	12	—	—	—	—	—

## EXPORT PROSPECTS

Those expecting direct export sales during the next twelve months to:	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
Rise	57	55	43	60	86	54	—
Stay about the same	19	17	17	21	5	44	—
Fall	6	5	5	1	9	—	—
Not applicable	18	23	15	18	—	2	100

## NEW ORDERS

The trend for new orders in the last four months is:	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
Up	33	32	34	31	8	7	—
Same	11	8	7	10	36	—	—
Down	19	13	15	17	54	12	48
Not available	38	47	44	42	2	81	52

## PRODUCTION/TURNOVER

Those expecting production/turnover in the next year to:	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
Rise over 20%	2	3	3	1	—	—	—
Rise 15-19%	4	4	1	1	—	—	—
Rise 10-14%	4	5	6	18	2	—	—
Rise 5-9%	53	47	52	40	58	84	75
About the same	19	28	32	33	4	2	—
Fall 5-9%	3	4	3	5	2	—	—
Fall over 10%	3	2	2	—	8	9	—
No comment	12	7	2	2	26	5	25

## STOCKS

Volume of material stocks or bought-in supplies during the next year expected to:	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
Increase	31	20	12	7	30	84	—
Stay about the same	41	40	62	53	13	2	—
Decrease	14	10	17	29	55	10	—
No comment	14	10	9	11	2	4	100

Volume of goods on hand for sale:	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
Increase	22	27	21	19	1	41	—
Stay about the same	48	51	51	43	43	45	—
Decrease	11	7	18	20	46	9	—
No comment	19	15	10	18	10	5	100

## FACTORS CURRENTLY AFFECTING PRODUCTION

Are any of these factors affecting turn-over at the present time	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
Shortage of:							
Home orders	73	73	78	80	100	96	100
Export orders	48	29	22	37	90	96	100
Executive staff	5	6	2	2	1	—	—
Skilled staff	11	11	4	3	1	—	—
Manual Labour	—	—	—	—	1	—	—
Components	2	2	2	2	1	—	—
Raw materials	3	3	3	3	2	—	—
Production capacity (plant)	15	16	12	4	—	—	—
Finance facilities	5	5	4	2	3	—	—
Others	2	2	1	—	1	—	—
Labour disputes	6	5	5	—	3	4	—
No factor	10	10	8	14	—	—	—

## LABOUR REQUIREMENTS

Those expecting the number of employees during the next twelve months to:	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
Increase	22	26	18	21	12	48	—
Stay the same	50	48	58	56	34	52	75
Decrease	27	25	24	22	48	—	25
No comment	1	1	1	1	4	—	—

## CAPITAL INVESTMENT

Those expecting total capital expenditure in the next year to:	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
Increase	44	44	45	41	56	43	—
Stay the same	18	15	30	27	28	9	75
Decrease	32	36	25	31	16	44	25
No comment	6	5	—	1	—	4	—

## COSTS

Those expecting hourly wage rates in the next year to rise by:	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
0-4%	2	2	—	—	—	—	—
5-9%	61	49	46	32	89	86	75
10-14%	29	42	50	42	7	9	25
15-19%	—	1	1	3	—	—	—
20%+	—	—	—	—	—	—	—
Same	—	—	—	—	—	—	—
N/A	8	6	2	3	4	5	—

Those expecting total unit costs in the next year to rise by:	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
0-4%	13	9	7	6	7	41	—
5-9%	54	68	80	74	39	13	75
10-14%	5	6	6	8	5	—	—
15-19%	—	—	—	—	—	—	—
20%+	—	—	—	—	—	—	—
Same	8	4	4	3	—	41	—
Decrease	1	1	1	—	—	—	—
N/A	19	12	2	9	49	5	25

## PROFIT MARGINS

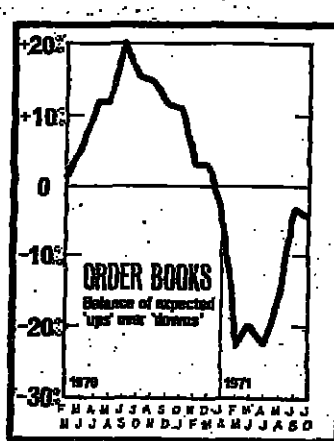
Those expecting profits margins over the next 12 months to:	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
Improve	55	64	53	44	68	2	—
Remain the same	25	18	29	37	3	54	100
Contract	16	17	17	18	1	40	—
No comment	4	1	1	1	28	4	—

## ORDERS AND OUTPUT

### No general improvement

THIS MONTH'S interviews revealed few indications of the recovery in some—mostly consumer—trades yet becoming more widespread. In the case of mechanical engineering, this was to be expected. It could be some time yet before orders for investment goods revive. But chemicals/oils and shipping are both sectors which in their respective ways are fairly sensitive to the trend of conditions generally.

The balance of the trend of new orders is upward (in terms of current prices), but the balance of "ups" over "downs" is still somewhat small. And, to judge from order book trends, the flow of orders is still on the whole



barely sufficient to match the present rate of deliveries. Improved order trends were noted mainly by engineering and chemical companies producing specialised products.

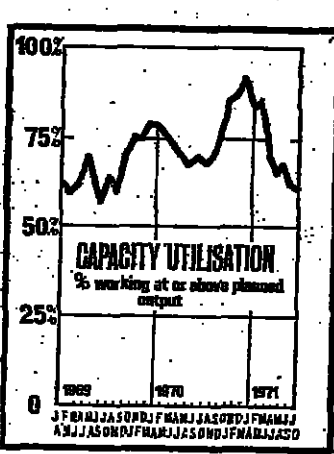
A similar picture is offered by industry's production forecasts. The balance of "ups" over "downs" has not significantly changed for some months. If one makes some allowance for price increases (which are not always excluded from industry's replies to questions about future turnover), then clearly industry cannot yet be said to be as confident as the Chancellor is about the economy picking up a fair head of steam in the coming year.

## CAPACITY AND STOCKS

### Widespread slack still

FURTHER eloquent indications of the present degree of slack in industry are afforded by the latest picture of capacity-utilisation and by the ratings given to the factors that are currently affecting production. A good third of our all-industry sample are still operating at below target capacity. In engineering and shipping, the proportion is twice as high. In both sectors, and in chemicals/oils, order flows are universally cited as pretty well the only factor determining the current pace of output.

The same is broadly true for



industry as a whole. Shortage of plant capacity can still be a bottleneck here and there. So, surprisingly, can the availability of skilled factory staff. But in the main it is orders, especially home orders, that is determining the present pace of output throughout industry.

However, somewhat more companies are now predicting some increases in stocks and work in progress over the coming 12 months, which suggests some degree of optimism about future trends. But this trend is neither very marked nor very general. Nearly half the total sample of companies are forecasting no change in the level of the stocks.

## CAPACITY WORKING

Those working at:	4 Monthly moving total				October 1971		
	July-Oct.	June-Sept.	May-Aug.	Apr.-July.	Eng'g. (non-elect.)	Chemicals and Oils	Shipping
Above capacity	12	11	5	3	2	—	—
Planned output	49	52	63	64	33	89	—
Below	35	35	31	33	60	11	75
No answer	4	2	—	—	5	—	25

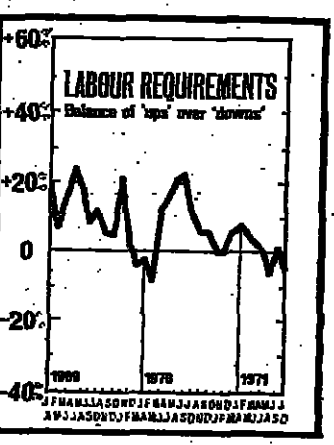
## INVESTMENT AND LABOUR

### Caution in forecasting

FORECASTS of labour requirements and capital investment show little sign of a change in industry's expectations—another indication that industry generally has yet to acquire any confidence in the prospect of a general business recovery.

Half of our all-industry sample foresee no significant change in their manpower needs. Of the rest, the "downs" still slightly outnumber the "ups"—hardly a happy augury for unemployment levels this winter and there after.

On capital investment, the balance of replies is slightly upward. But with inflation at current rates a modest increase in capital programmes can easily



represent a decline in real terms. Among the three industry groups surveyed this time, shipping affords the least promising outlook on both capital spending intentions and labour requirements. Mechanical engineering, not surprisingly, is relatively gloomy about manpower needs but bullish on investment spending.

With credit restrictions easing, more companies are planning to finance increased capital requirements with the help of bank overdrafts. This is particularly true of the three industry sectors surveyed this time. Assets sales are also being cited a little more frequently as a source of capital funds.

## COSTS AND PROFIT MARGINS

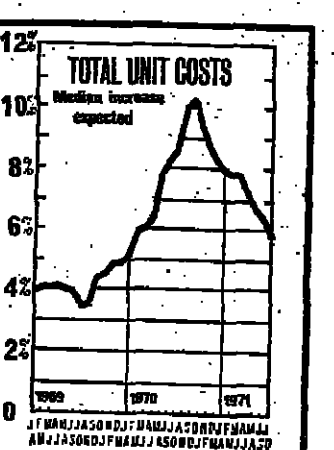
### Profitability should improve

THE further decline in expected cost rises—the twelfth in successive months—is the most encouraging feature of the latest survey. The median forecast is now less than 6 per cent, as against over 10 per cent a year ago. Predictions of future price changes have also fallen. Here the median forecast is now just over 6 per cent.

Both improvements reflect the more sanguine view industry is now taking of wage trends over the next year. Three-fifths of our all-industry sample now expect wage costs to increase by 5-9 per cent a year, whereas three months ago three-fifths of the total sample were forecasting increases of 10-14 per cent.

All three groups surveyed this time were particularly hopeful on the score of wage costs, and the chemicals/oils sector was particularly bullish about overall cost trends.

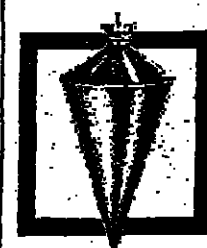
Not unnaturally, this optimism about cost trends has been accompanied by generally hopeful



So is the chemicals/oils group, although not every interviewed company is confident of profit margins improving. Only in shipping was a note of caution sounded.

These surveys, which are conducted for the Financial Times by the Taylor Nelson Group, are based upon detailed interviews with top executives about their companies' situation and prospects. Three industries and some 30 companies are covered in turn every month from a sample based upon the FT-Actuaries' Index, which accounts for about 60 per cent of the total turnover of all public industrial companies. The weighting is by market capitalisation.

The all-industry figures are four-monthly moving totals, covering some 120 companies in 11 industry groups (mechanical engineering is surveyed every second month). Foreign-owned companies operating in Britain have been included in the sample since November, 1968.



## Building

### Call for action to avoid water shortage in 1980

IF a water shortage in Wales and the Midlands is to be avoided in the late 1970s, two issues must be settled in the next year, according to the Water Resources Board. These are finding the next major source for regulation of the River Sever and the next main source for the North Midlands.

More than 900m. gallons a day of additional water will be needed in those areas by the end of the century, said the Board. Independent estimates of the capital costs involved suggest they may be about £180m. at to-day's prices.

#### £350m. cost

The total outlay, including capital and running costs, will be about £350m. between now and the year 2000, according to the Board.

Mr. Graham Page, Minister for Local Government and Development, said on introducing the report "Water Resources in Wales and the Midlands", that he saw no reason why improvements in

the structure of water services in the Midlands should be delayed. For regulating the Sever, the Board recommends the enlargement of Birmingham Corporation's major source for regulation of the River Sever and the next main source for the North Midlands.

It advises that the problem involved be investigated immediately, as the only practical alternative would be the building of another reservoir elsewhere. Possible sites are Don, Aton, Gam or Marton Pool, all of which are open to much greater objection than with Craig Goch, says the Board. But no alternative is seen to a new reservoir to regulate the River Dove and Derwent. Detailed investigations into the comparative merits of enlarging four existing reservoirs, Llyn Brianne, Laka, Vyrnwy, Talyllyn and Nant-y-Moch, are also called for, and one new site at Llanwrthwl Marsh ten miles north of Gloucester—should be investigated. Water Resources in Wales and the Midlands: SO, £1.50.

MARTIN ROUTE

### Tarmac housing in Durham

HOMES in Darlington and Hartlepool, Co. Durham, are to be built by Tarmac Homes (Tarmac Construction) under two contracts, together worth £179,000.

At Mowden Park, Darlington, the company has a £113,000 contract for the Northeast Housing Society for 36 flats in nine blocks together with garages, external stores, drainage and ancillary works. The second order worth £66,000 is from the County Borough of Hartlepool for 13 three-bedroom houses and six flats at St. Hilda Street, Hartlepool.

A Barclays Bank and offices at Church Square, Hartlepool (Co. Durham) are to be built by Tarmac Construction. A 3-storey bank and offices with basement and boiler room, will be built with concrete frame and reinforced concrete and brick walls. Architects are Houston and Beaumont, of Belfast.

### Horizon factory handover

TO-DAY, Bovis Fee Construction hands over the £7.5m. Horizon tobacco factory at Nottingham to John Player and Sons only 31 months after planning was initiated.

The company was appointed management contractor in April, 1969, when, under the terms of its contract, it became involved in the early design stage. Its function has been to co-ordinate the various aspects of the work, each part of which was put out to competitive tender. One of the features of the job

is the Ruston gas turbine total energy installation which was the first order placed in this country for equipment of this kind to run on North Sea gas.

Worth £500,000, Ruston's contract called for eight turbine generating sets and four exhaust heat recovery boilers to supply all the power and heat requirements of the factory.



# Build and Civil Engineering

## £14m. Hong Kong project for fresh water from the sea

THE largest sea-water desalting plant in the world is planned for Hong Kong and tenders for the first 20m-gallons-a-day unit are now being sought.

It is the British consulting engineers, Sir Alexander Gibb & Partners, who have designed the scheme, likely to cost £14m, and are preparing contract documents for this single-stage multi-stage flash desalination system.

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The plant is expected to be completed by 1975.

### Capacity increase

It is understood that the plant's capacity could be increased to anything up to 60m gallons per day, which, coupled with the joint economic and design study into the possibility of producing a further 120m of desalted water and 1,800 MW of electricity between 1975 and 1983, certainly puts Hong Kong into the lead in this technology.

The unit production cost of the 20m-gal plant is expected to be in the region of 40p per 1,000 gallons, which is about double that of natural reservoir water in that region.

This desalting project became necessary when it was realised that the 570m. High Island

marine reservoir scheme would not be completed until 1978. In fact, the desalting plant should be operational by 1974.

The High Island development calls for the construction of two rockfill dams, one at each end of the straits between the island and the mainland, to impound a reservoir with a capacity of 80,000 mg. The construction of both dams will entail dredging trenches for foundations that will reach to a maximum depth of 100 feet below mean water level.

Hong Kong's population of around 4m. consumes 175m gpd and this is increasing at a rate thought to be around 5 per cent per annum.

Other large desalting installations exist in Kuwait, Mexico and Holland, among other countries.

MARTIN ROUTH

## Hot ceilings in northern houses

BIGGEST single contract for Flexel, the ICI electrical ceiling radiant heating device, has been placed with Laurence James Electrical (an ICI associate) for supply and installation in all the new housing units built by the North British Housing Group, Preston, over the next three years, a total of some 3,000 houses.

The houses will be built mainly in the north of England—in the first instance at Stone Street, Newcastle upon Tyne, where some 350 houses are planned. The average cost for a house installation is £100, and the contract is worth £1m spread over three years.

The Flexel system is based on a carbon filled silicone conducting rubber which produces radiant heat when a current is passed through it. Any area with ceilings using this system is claimed to reach an ambient temperature of 65 degrees F 49 minutes after being switched on.

The system was adopted by the London Borough of Harrow for the Grange Farm Estate, where 72 two-bedroom flats and 36 one-bedroom flats were built in 1969-70. The authority introduced budget billing for the heating cost. For the two-bedroom unit with an installed load of 5.1 kW a budget of £1.80 was allowed, and for a one-bedroom

unit at 4.2 kW the budget was £1.40. These figures were based on experience in other housing units and the tenant charged the calculated budget rate included with the rent. If the actual cost is less the tenant gets a rebate.

Among advantages claimed for the system is the obvious fact that no visible space is taken, and no maintenance is required.

## Cubitts to extend hospital

FURTHER work for the recently finished psychiatric block at New Cross Hospital, Wolverhampton, is to be undertaken by Holland, Hannen and Cubitts (Midlands). Awarded by the Regional Hospital Board, the £467,000 contract brings the total value of its work for the hospital to £1.4m.

The new unit comprises a 2-storey administration building, a single-storey recreation building, a 3-storey kitchen and dining room and external link corridor, and a 3-storey services tower.

These buildings will be of reinforced concrete frame construction with load-bearing brick external walls, in situ reinforced concrete floors, and block internal partitions. The psychiatric block is scheduled for completion in September 1973. Architects are George/Trew/Dunn and the consulting engineers are W. V. Zinn and Associates.

STANDING astride the River Stour in the centre of Kidderminster, Worcs., this £400,000 office block was erected by Holland Hannen & Cubitts (Midlands). The 2-storey podium, occupying the entire area of the island site, and the 6-storey spine block together provide 61,000 square feet of usable office space. A number of local offices of the Department of Health and Social Security, Department of

Employment, Inland Revenue, Customs and Excise, the regional office of Ordnance Survey and a Post Office, are housed. The river originally cut the site in half, but a bridge constitutes part of the foundations which otherwise are piled supports on either side. Architects were the DOE in association with Harry H. Weedon and Partners.

and the structure of the river in need delay the start of the project.

For regularity of the project, the Board requires the next month of November.

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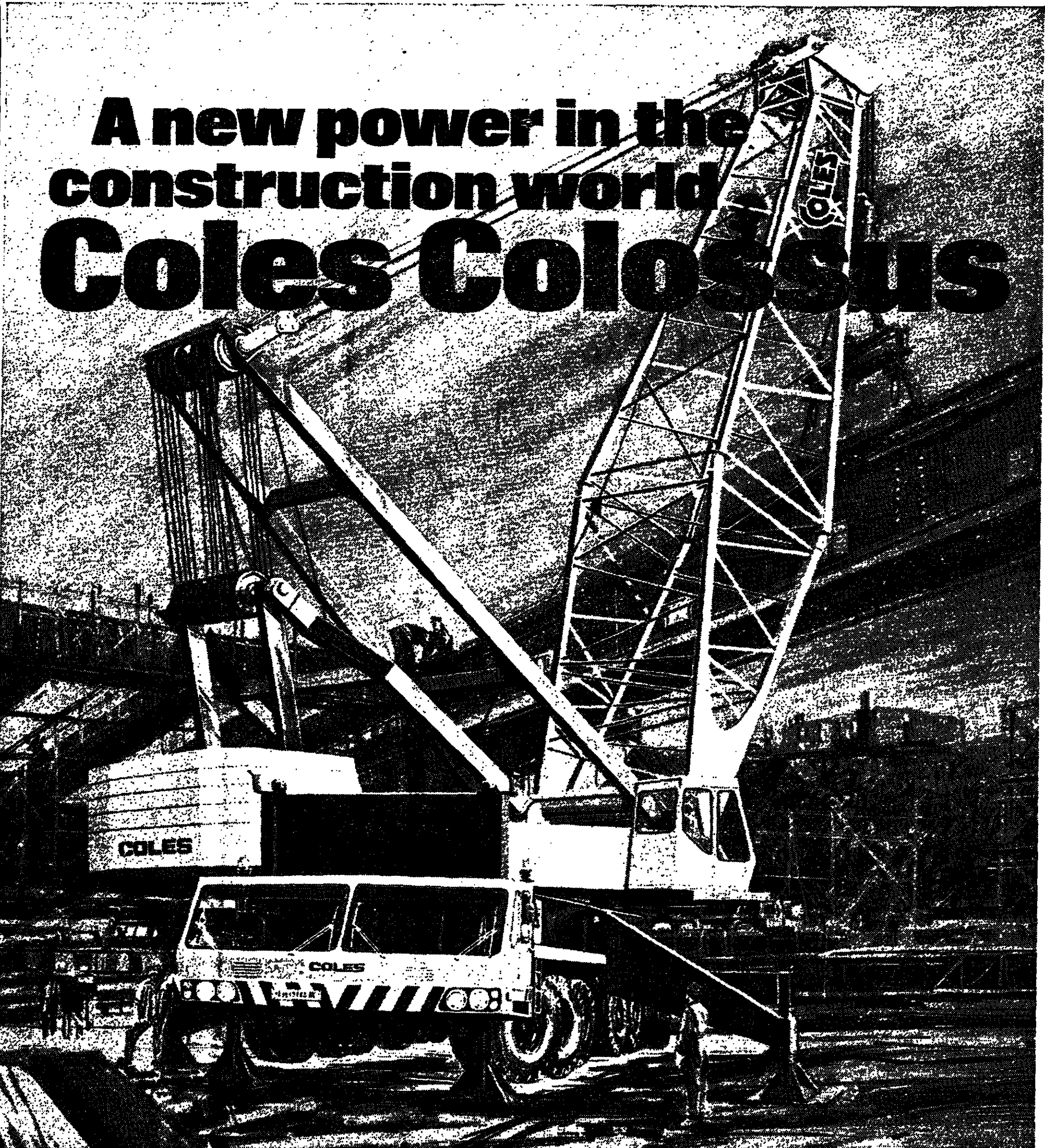
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# Why the powers in the East cannot stay at arm's length

## Facing the long haul

THE COMPARISON between "Ulster" and "Vietnam," which has now become fashionable on the Left, is thoroughly misleading in almost every way—in motives, in geographical proximity, in historical causation, and in the conduct of all its participants, with the possible exception of the IRA. Nevertheless, the comparison has at least this justification, that the situation in Northern Ireland, like the Vietnam war in its earlier stages, has deteriorated so steadily for so long that the British public and the politicians at Westminster are inclined to forget about the direction of events except at those moments when the downward path has visibly reached the edge of a precipice.

The events of the past two weeks have been a case in point. Nearly every important aspect of the Ulster scene has worsened during this period but at such a steady rate as to be virtually imperceptible. The Stormont Government and the Army claim that it is at least enabling them to gain ground against the IRA. It may be so. But the same claims have been made so often in the past without foundation that considerable scepticism is bound to creep into the hope they arouse—particularly since the outward manifestations of IRA activity, the bombings, the shootings and the acts of revenge (especially against the police) have, if anything, increased in intensity and viciousness.

Meanwhile, the political outlook has become more menacing. The Social Democrat and Labour opposition at Stormont has retreated still further from any co-operation with Mr. Faulkner. His rival Parliament at Dungiven has been set up and the rhetoric of denunciation which its members are now employing leaves them very little room for reconciliation. At the same time, Mr. Jack Lynch, in Dublin, has been under severe pressure. His Government apparently takes an increasingly easy-going line towards IRA activities and in his recent speech in the Dail he explicitly raised quite unrealistic conditions for any further discussions with Mr. Heath. To complete this depressing picture, there are unmistakable signs that the political consensus on Ulster at Westminster is about to break in up—indeed, if it had not been

### Escalation likely

On the military side, it is hard to see what the Government can do (unless it proposes to scuttle) except escalate the war against the gunmen and frankly warn the British people that, contrary to what they have been told in the past, it will need very many months and probably several years of effort on the present scale or higher before the security situation is fully under control. But even then, it seems doubtful whether this long military haul can be sustained either in Ulster or in the U.K. as a whole, unless the U.K. Government can regain the political initiative.

Mr. Faulkner's appointment of a Catholic, Dr. Gerard Newe, to his Government last week and his Green Paper with its proposals for the enlargement of the Stormont Parliament and the introduction of the single transferable vote—these are welcome in themselves, and if they had been brought in even six months ago might have had a powerful calming effect. Now they are too little and too late. The defeat of the gunmen is certainly the main priority and it will require far greater stamina than anyone has been prepared for to bring it about, but this has not made further political efforts irrelevant. The fact has to be faced that real pacification is probably impossible until there has been a switch, however gradual, from internment to imprisonment after trial, and until the British Government guarantees Catholic permanent representation in the administration of the Province.

## Mrs. Gandhi seeks help

IF WAR does not after all break out between India and Pakistan as a result of the crisis over Bengal, then Mrs. Indira Gandhi's present tour of Western capitals will not have been in vain. This is the measure of the seriousness of the Indian Prime Minister's purpose. The danger of war is very great: a majority of Mrs. Gandhi's own cabinet is reportedly inclined to seek a military settlement. There have been large-scale troop movements on both sides of the borders between India and Pakistan and in each country there has been an escalation of belligerent statements.

### Clear case

It is against this background that the Indian Prime Minister rehearsed her country's policies before Mr. Heath at Chequers yesterday. These talks with the British Government will continue to-day. As in the other capitals that she has been visiting (she is on her way to Washington), Mrs. Gandhi has been asking that pressure be put on Pakistan by the West. The Indian case is clear. It starts with the reminder that there are now some 9½m. refugees from East Pakistan (Bangladesh) on Indian soil: this presence constitutes a growing, and very nearly intolerable, financial, social and political burden for India.

The solution, as seen from the Indian side, is for the President to release the imprisoned Sheikh Mujib, as a prelude to negotiating a political solution with him. For the Pakistanis this would involve a severe loss of face, since it would be tantamount to an admission by President Yahya that his policy of suppression of the Bengali nationalists is a grievous mistake.

### Nixon's position

Her next step will be an attempt to convince President Nixon of the merits of India's case, for it is believed, rightly or wrongly, in New Delhi that the U.S. is still clinging to its long-standing diplomatic ties with Pakistan (an ally) as against India (a neutral). It is certainly true that America has been giving President Yahya some support in his recent struggle against the eastern nationalists, but the extent to which Washington would be willing to become involved in any full-scale Indo-Pakistani war is at least as questionable as the extent to which the Russians would be prepared to take risks for India.

Britain's policy can only be to do its utmost to ensure that none of these nightmares come true. There is no option, therefore, but to accede to Mrs. Gandhi's request. Mr. Heath should send a further message to President Yahya, stressing the gravity of the situation, in him. For the Pakistanis this would involve a severe loss of face, since it would be tantamount to an admission by President Yahya that his policy of suppression of the Bengali nationalists is a grievous mistake.

LAST week's vote on China at the United Nations may have upset President Nixon, who professed himself outraged by the "undisguised glee" of some delegates after the result was announced; but it represents a serious personal reverse for the Japanese Prime Minister, Mr. Sato. Mr. Sato was responsible for deciding that Japan should co-sponsor the American motion making it an "important question" for Taiwan to be expelled from the U.N. He did so against the advice of many of his Ministers and officials, who had doubts about the good faith of Washington itself in putting forward the motion, and now he is being saddled with responsibility for the defeat.

In the ensuing crisis it is quite possible that political heads will fall, though a censure motion against two leading members of the Japanese Cabinet was defeated last week. It is also likely that attention will be drawn more than ever to the painful dilemma facing Japan in its relations with China.

## Potential rivals

At the moment the two countries are important trading partners, as well as potentially dangerous rivals for power and influence throughout most of East and South East Asia. But Japan has no official relations with Peking and remains tied—almost as firmly as the U.S. itself—to the fiction that the true government of China is based in Taiwan.

The one certainty in an agonisingly confused situation is that the two countries cannot remain at arm's length for much longer. Even Mr. Takeo Fukuda, the Japanese Foreign Minister, a leading right-winger who is also regarded as a champion of the special relationship with Washington, has said that Japan should now start trying to "normalise" its relations with China as a matter of urgency.

Mr. Sato himself believes the same thing, although it is clear that he has no personal taste for hobnobbing with the leaders of Communist China; and Japanese Foreign Ministry officials, or at least those of them who are directly concerned with Asian affairs, have for years been anxious to get on terms with China.

However, while the will is there the obstacles are enormous, as even the most dedicated advocates of a pro-Peking policy will admit. The first obstacle is Mr. Sato himself, who has on several occasions been explicitly ruled out by China as an acceptable negotiating partner in any discussion

The UN vote on Communist China was seen as a personal reverse for Premier Sato of Japan. Yet even Right-wingers in the Japanese Foreign Ministry realise that the time has come for Japan to 'normalise' its relations with China—as a matter of urgency. CHARLES SMITH, Far East Correspondent, reports



Chinese Premier Chou En-lai, and Japan's Prime Minister, Eisaku Sato. The will is there, but the obstacles are enormous.



sions on the establishment of diplomatic relations. Mr. Sato is, admittedly, due to retire from politics before the end of next year: his fourth term as president of the Liberal Democratic party runs out in December, 1972, and it would be wholly without precedent for him to seek a fifth term with the additional two years of premiership which this would entail. But Mr. Sato, like nearly all his predecessors, will expect to have a say in the choice of his successor. The way in which he exercises his choice could be crucial for the success of talks with China.

## Favourite for succession

At the moment it looks as if the Prime Minister's favourite for the succession is still Mr. Fukuda, who is probably at least as much distrusted by Peking as Mr. Sato himself. Mr. Kakuei Tanaka, the young and dynamic Minister of Trade who ranks as a junior protégé of Mr. Sato, might be less unacceptable. Still more popular with the Chinese leaders would be Mr. Takeo Miki, a former Foreign Minister who achieved an unexpected degree of success last autumn as Mr. Sato's sole opponent in elections for the Party presidency.

If Japan can solve its leadership problems in a way which neither injures its own national self esteem nor provokes further outbursts from Peking, the stage will at last be set for serious talks with the Chinese leaders. The first step on the

Japanese side would almost certainly have to be the withdrawal of the Japanese ambassador from Taiwan; indeed, Japan has actually prepared for this move by appointing a counsellor on the island so as to maintain some kind of contact with the Nationalists after the cutting of formal diplomatic ties.

The next move, and one of the most crucial, would be for Japan to declare that the People's Republic, not the Nationalist regime in Taipei, represents the legitimate state of China. It is unlikely that the Chinese would settle for anything less than an explicit declaration in Japan's case, although they have allowed other countries such as Canada to get away with the more ambiguous formula of "taking note" of the official Chinese position on Taiwan. A final step would be the negotiation of a Sino-Japanese Peace Treaty—and this is where, in the Japanese view, the sparks might really begin to fly.

If Japan ceases to recognise the Nationalist regime as the Government of China it will, in legal terms, be restoring the state of war between itself and China, since it was the Nationalists—not the Communists—with whom it made peace in 1952. This will open the way for a Chinese claim to reparations (which could be exceedingly large if Peking insists on the view that the two countries have been at war up to 1971).

It is quite possible that a reparations agreement between Tokyo and Peking might be

drafted in such a way as to take on more of the appearance of a voluntary Japanese contribution to China's economic development. As such it would, of course, be welcome to the Japanese business community which would be able to take full advantage of China's import requirements. But the burden on the Japanese taxpayer could be considerable.

## Conflicting evidence

Just how these problems will be worked out in discussions between Japan and China will depend on how much China wants to normalise its relations with Japan; and here the evidence is curiously conflicting. China-watchers in the Japanese Foreign Ministry have been painstakingly scanning reports of interviews given by Chou En-lai for signs that the Chinese Premier, who is also the real author of China's foreign policy, is in a hurry to begin negotiations.

Chou is reported to have said early this year that Peking airport was open to any Japanese Minister who chose to visit China. (He later added that this did not include Mr. Sato—but only, according to the China-watchers, in response to a leading question from a delegation of anti-Sato members of the Liberal Democrat Party).

Early in the summer, in a joint communiqué issued during the visit to Peking of the opposition Komeito Party, China made what officials claim

was its first explicit statement of the conditions for a settlement with Japan. At the same time China has been taking pains to induce prominent Japanese businessmen to visit Peking.

But while the evidence is there for those who wish to detect an approaching thaw in Sino-Japanese relations, a record of bitterness, suspicion and general hostility in the recent past is positively overwhelming. I was told last April by my interpreter in Canton (who presumably represented an average if not particularly well-informed specimen of orthodox party opinion) that "the Japanese imperialists still want to invade our homeland, though they will certainly never succeed in doing so."

The resurgence of Japanese "militarism" has been a favourite theme of Chinese official broadcasts and of the otherwise moderate interviews given by Chou En-lai to foreign visitors for at least a year. Moreover, China has gone out of its way to emphasise Japan's growing commercial pre-eminence in South and East Asia and to draw sinister conclusions from it.

The Peking Review, which is the most prominent English-language publication of the Chinese Government, recently carried two minutely researched articles on Japan's economic role in South East Asia and Taiwan which go far to confirm the view of Japanese officials that China is better informed about Japan than about other nations, with the possible exception of the Soviet Union.

If the Peking Review articles mean what they say, it would appear that China has two main worries about Japan's performance and intentions in Asia. The first is that Japan is rapidly establishing an economic "sphere of influence" in South East Asia which threatens to overshadow any influence China might hope to acquire in this politically sensitive region.

China's gradual switch from ideological to commercial and diplomatic offensives in South East Asia makes it all the more vulnerable to economic rivalry from Japan; for, although the Japanese manifestly have nothing to compete with Mao's Little Red Book, they can outdistance the Chinese with an embarrassing ease when it comes to trade or aid.

China has fought back in South East Asia this year with a series of well calculated commercial approaches to several countries. Its exchange of trade missions with Malaysia, coupled with a promise to buy the whole of Malaysia's annual rubber surplus for the indefinite future, seems to have yielded particu-

larly welcome dividends. But Chinese diplomacy is clearly even in the very long run, to be any match for Japanese economic strength; and there are equally strong doubts in Peking about the prospective military balance between the two countries.

It is true that China is an emerging nuclear power, with a rate of progress through the various stages of research and development about twice as rapid as that of the U.S. But Japan also possesses much of the know-how required to develop nuclear weapons (within five to seven years according to qualified observers).

## Great risk of bitterness

China's view of Japan's military role in Asia appears to have been moulded by its concept of American strategic intentions and particularly by the belief that Japan is being groomed to "take over" militarily from the U.S. in the region. With this fear in mind the Chinese leaders will probably place Japan, and the linked question of Taiwan, at the head of their agenda for talks with President Nixon—well ahead of the Vietnam problem which is of ideological rather than direct national interest to China.

It would make sense, correspondingly, for China to attempt to get to grips with Japan on the question of U.S.-Japanese relations, but it is here that there is least likelihood of any real dialogue and the greatest risk of bitterness and misunderstanding.

The Japanese have already been alienated by the first Nixon "shock" as they call it in Tokyo: they were given only half an hour's warning of President Nixon's intention to visit Peking (though the notice was originally intended to be six hours). The Japanese Government has not been mollified by the explanation that it was only left in the dark because of the notorious tendency of Japanese politicians to leak important news to the Press.

There are politicians in Asia including the perceptive Mr. Lee Kuan Yew of Singapore who believe that Washington's handling of its relations with China could be the start of a really serious Japanese-American split leading on to full scale Japanese rearmament and the emergence of acute tensions between Japan and China. The only answer to such predictions is that for the present the situation is fluid: it could start to crystallise alarmingly if neither Peking nor Tokyo is willing to take the first step towards negotiations.

## MEN AND MATTERS

### The price of publicity

The advertisement in Saturday's FT for a "moped, only offers over £4,000 considered," was quite serious. The bait is the registration number W1, which I suppose should appeal to some gentlemen about Mayfair. Its present owner, Mr. Russell Marks, says that to an autonymologist this is a masterpiece. And Mr. Marks is certainly an autonymologist, if you will pardon the word. When he and a cousin, Mr. Donald Marks, are not running a chain of boutiques and outfitters shops around Hull called Marks and Marks, they are running a personalised number plate business called (of course) Car Marks.

Quite how the pair came upon W1 they are not free to disclose, says Russell Marks. But it was on the car of a "high ranking civil servant," who does not want any publicity. Anyway, after a long pursuit and some bargaining, this owner was persuaded to sell. Since he did not want to part with his car as well as its number, Car Marks bought him a moped—"the cheapest vehicle you can get a registration plate for"—and when he had for the standard £5 fee persuaded the licensing authorities to transfer W1 to the moped, the deal was done and Car Marks bought the most expensive moped in Britain. They won't say what they paid, but if it is resold for £4,500 it won't, he swears, represent a very high return on capital.

So far there have been three serious inquiries, two from men with fairly large companies the H-bomb tests. Then, in

based in the W1 postal district." Who they are, and what Sig-mund Freud would have had to say about all this, I leave to your imagination.

### ... and the perils

It is not only autonymologists who read us. An electronics company has just received this letter from the Inland Revenue: "We learn with interest from the Industrial Page of the Financial Times that you have launched a new testing instrument and we hope that this new product will be reflected in your sales figures and profits for the current year."

## The £7,000 p.a. headache

What would you reckon it worth to be the man responsible for the safety of Britain's atomic power stations? He will take charge of the biggest stake in atomic power any company in the world has taken in the atom, about £2,000m. spent or committed. He will also inherit reactors being built very much closer to big centres of population than anywhere else in the world.

The job, as the Central Electricity Generating Board's chief health and safety officer, has been done for the last 13 years, since before the Board had any atomic stations, by Mr. Charles Adams. He came to it with the interesting, and probably the best experience one can expect for a safety officer—30 years developing weapons. Adams' career with the Atomic Weapons Research Establishment culminated in his directing some of the H-bomb tests. Then, in

1958, he switched to peaceful atoms.

Since then, his complex emergency plans have not, mercifully, been tested in actual disaster conditions. Another of his achievements is that he led the research into anti-radiation pills, now kept at all atomic stations, both for the staff and for police to distribute in the neighbourhood. The iodine pills can block the body's take-up of radio iodine, the most immediate public hazard if the worst should happen. "It's greatest value is that it buys time to evacuate people," he says.

But Adams is off a year early, aged 64, at his own request. He sails this week for Australia to join a son and daughter-in-law who are nuclear physicists. The CEBG, which has not yet appointed a successor, has been advertising the job at a salary "in excess of £7,000."

## Gingered up

One of the oldest drink labels, unchanged since 1876 apart from small Government-inspired additions like stating the alcoholic strength, has survived another onslaught. Stone's Ginger Wine, made by the Finsbury Distillery, is a very traditional business. Some jazy advertising, including a red-headed called Ginger and the epic line "If You Want Ginger You've Got to Have Stone's" has not changed the essential facts that the same green label on the same green bottle has been going nearly a century: that the business goes back at least 1740; and that the present boss, Major George Maxwell, is married to a Bishop from

the family which has been making ginger wine and other drinks in the City since the 1680s. At the Finsbury Distillery, off the City Road, they still grind enough ginger on a George III mill to make over 500,000 gallons of wine a year.

So Maxwell was indignant when he found that Whiteways, which also does a ginger wine, was changing labels to one very like his own. After the lawyers had been called in, the matter has now been settled. Whiteways has made some changes, though they do not sound too worried about them. Maxwell says coolly he "still doesn't like what they're doing, but we accept that the changes made have destroyed any merit the label ever had."

So the two companies can now get down to the serious business of praying for a cold winter (1963 is still remembered fondly in the ginger wine business). And Finsbury, since 1964 part of the Matthew Clark group as a result of one of Mr. Charles Villiers' pre-IRC promptings to merge, hopes to convert the Americans, as well as the old white Commonwealth where the habit has long been popular, to getting Stoned.

## Unanswerable

A man was trailing toilet paper out of the window of the London to Manchester train. "Why are you doing that?" asked another passenger.

"Keeping off elephants." "But there aren't any elephants around here." "Effective, isn't it?"

Observer

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# Unit Trusts

FINANCIAL TIMES SURVEY

## A unique range of Unit Trusts Plans and Services

Save and Prosper Group are Britain's largest unit trust group, currently managing funds of more than £550 million on behalf of 700,000 people. The Group also offer Britain's most complete range of associated financial plans and services.

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#### HIGH-YIELD UNITS:

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#### INVESTMENT-TRUST UNITS:

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#### PROPERTY FUND:

The Save and Prosper Property Fund offers a stake in first class properties of all kinds through either a single payment policy or through a Save-Insure-and-Prosper Plan. A single payment policy

offers a unique 100% growth guarantee, life-insurance cover which normally increases each year, and an Income Facility at either 4%, 6% or 8% net per annum.

### PLANS AND SERVICES

#### The Save-Insure-and-Prosper Plan:

A popular and highly successful way to build up a large sum of money through unit-linked insurance by regular monthly saving - the minimum is £5. The greater part of these monthly contributions is used to credit the Plan with units in a chosen Save and Prosper unit trust. A small percentage pays for life insurance cover. But the whole of the contribution normally qualifies for tax relief as an insurance premium, which usually means that more money is invested than you actually pay out.

#### Monthly Investment Plan:

A plan for investing a fixed monthly sum (minimum £5) in a Save and Prosper unit trust, without insurance or tax relief. The Plan enables a considerable investment to be built up without waiting for large capital sums to become available for unit purchase. Regular monthly purchase of units also ensures an overall low average cost.

#### Single Premium Policy:

A unit-linked policy combining the advantages of a lump-sum investment in a Save and Prosper unit trust with the security of life insurance at no extra cost - and no personal liability to tax during the life of the policy. Income from the units is automatically re-invested and there is a minimum guaranteed death benefit. The policy can be particularly suited to surtax payers.

#### Personal Pension Plan:

A plan for self-employed people and those in non-pensionable employment. A lump sum, or regular monthly sums, is linked to a Save and Prosper unit trust, and qualifies for income tax and surtax relief. Being unit-linked, the pension can continue to grow after retirement.

#### Personal Loan Plan:

This Plan offers Save and Prosper unitholders or policyholders a quick and simple means of raising money for short-term needs without having to realise units or surrender their policies. Up to 80% of the offer-price value of a unitholding or surrender value of a policy can be borrowed (minimum £100 - maximum normally £5,000), and repayment is spread over 1-5 years at a fixed rate of interest (currently 8%) on the initial amount of the loan. The Plan can also be used to purchase Save and Prosper units.

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#### Share Exchange Service:

Many private investors now recognise that time and worry can be avoided by investing in a sound unit trust instead of on their own behalf. They also recognise that a good unit trust offers the special advantages of a secure investment spread plus full-time skilled professional management. The Share Exchange Service enables investors to exchange their shares for units in a Save and Prosper unit trust without deduction of commission or contract stamp charges.

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A convenient and trouble-free way to invest as little as £10 in Save and Prosper's Capital Units. Children under 14 can also become bondholders if the application form is signed by the child's parent or guardian. Net income is automatically re-invested to increase the value of the bonds, and a minimum assured value (the amount of the original investment) is guaranteed in the event of the bondholder's death.

#### Private Investment Companies Scheme:

Current tax legislation adversely affects Private Investment Companies and their shareholders. Save and Prosper's scheme helps to resolve these problems where companies have a substantial holding of equities. The scheme involves the exchange of shares for units.

The performance of the average of all Save and Prosper trusts over the past 10 years since October 1961 has been decisively better than that of fixed interest investments and has comfortably beaten the cost of living and the F.T. index.

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I am interested in receiving further details on the following trust(s):

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Atlantic Units	<input type="checkbox"/>	High-Yield Units	<input type="checkbox"/>
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European Growth Fund	<input type="checkbox"/>	Investment-Trust Units	<input type="checkbox"/>
Financial Securities Fund	<input type="checkbox"/>	Japan Growth Fund	<input type="checkbox"/>
General Units	<input type="checkbox"/>	Property Fund	<input type="checkbox"/>

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I am interested in receiving details of the following Plan(s) and/or Service(s):

Please tick appropriate box(es)

Save-Insure-and-Prosper Plan	<input type="checkbox"/>	Investment for Children	<input type="checkbox"/>
Monthly Investment Plan	<input type="checkbox"/>	Share Exchange Service	<input type="checkbox"/>
Single Premium Policy	<input type="checkbox"/>	Mini Bonds	<input type="checkbox"/>
Personal Pension Plan	<input type="checkbox"/>	Private Investment	<input type="checkbox"/>
Personal Loan Plan	<input type="checkbox"/>	Companies Scheme	<input type="checkbox"/>

Name

Address

FIS/P

# SAVE AND PROSPER GROUP



## UNIT TRUSTS II

The unit trust industry is 40 years old this year. Total funds are valued at over £1,800m., making it one of the major investment channels, particularly for the small man. This survey reviews current developments and prospects for the Seventies.

# The industry adjusts to lower level of intake

By KEITH LEWIS

It is a sad fact that the unit trust industry has still not managed to get the correct message across to the investing public. The movement has, of course, continued to grow, although 1970 and 1971 have seen the inflow of money reduced to a trickle in contrast to the two previous boom years. The figure returned in August this year of under £1m. was the lowest net monthly intake for ten years.

While the slowdown was perhaps understandable in 1970 in view of the poor stock market conditions (not just in London, but internationally), this year has seen most principal markets register something of a recovery. The FT Actuaries All-Share index is higher by around 30 per cent. so far in 1971, and has recently been breaking into new all-time high ground.

The pattern has not been so much for unitholders to stay away altogether, but rather to withdraw cash steadily on the rising market. Presumably this reflects the weight of unitholders who are seeing their original outlay restored, having been lured in at around the top of the market in 1969. In fact, the actual number of unitholder accounts has been diminishing for some months now, and the increase in total funds under management (now over £1,800m.) is explained more by capital appreciation than by any great public support.

The money that should have been going into the movement when the market was at a suitably low level has been finding new homes—notably property funds, building societies and national savings. In fact, there are plenty of indicators to suggest that the public is generally disenchanted with equities—not necessarily just unit trusts—and virtually any savings medium that has been able to offer more stability has been on a winning run.

The outstanding success of property funds—which are collectively pulling in between £7-8m. per month—has undoubtedly been due to the relatively sedate investment characteristics, and the operators have not been slow in pointing this out in promotional material. This is fair game in marketing terms, of course, though it is fair to say that anyone who can get the timing anywhere near right with a unit trust probably stands to see benefits far more rapidly—at least if history is any guide.

The problem is that the vast majority of unitholders persist in not timing the investment carefully with the result that they tend to come in at the top and go out at the bottom. This shows the lack of education on the public's part, which is possibly the fault of the disproportionate volume of unit trust advertising in rising markets stressing short-term performance. However, it is reassuring to see a few groups departing from the traditional approach and grasping the nettle—Save and Prosper in particular stands out in this respect.

### Steady withdrawal

The present situation, therefore, is not a particularly happy one—though, for all that, hardly as disastrous as is being made out. But anyway this experience in group share investment is hardly confined to the U.K. Mutual fund sales in North America have slumped alarmingly and there have been negative cash flows in a number of months. Offshore fund sales are also in the doldrums, it seems with little immediate prospect of picking up.

The strange thing—at least as far as the U.K. unit trust movement is concerned—is that the service provided is probably better than it has ever been, and the continuing move towards the rationalisation of

the groups has put the industry in a stronger position to take the knocks.

It is often forgotten that the real raison d'être of unit trusts is to take the headache out of equity investment for the smaller investor—not necessarily to provide brilliant investment management all of the time. There has been a growing tendency for the stockbroking fraternity to reject some clients on the grounds that they are uneconomical in terms of size. And a lot of the cash channelled in the direction of brokers finds its way into one unit trust or another anyway.

The actual variety of funds has continued to expand and the past year has been notable for the proliferation of new financial trusts. This particular sector of the market, of course, has been outstandingly buoyant and anyone who took advantage of the initial offers in these funds has presumably done quite well. As a generalisation, it is fair to say that the trusts to have fared the best have been the smaller ones; out of the top fifty funds in 1971, according to the G. S. Herbert Tables, only five are valued at over £10m.

The groups have not exactly been idle in other directions either, and this past year has witnessed a number of significant events. Perhaps the most telling has been the entry of some of the largest unit trust groups into the property bond field, having previously been the strongest opponents of the concept. Save and Prosper and M and G (the largest and second largest respectively) and Tyn-dall have all now entered the fray.

Other interesting diversifications have been the formation of a building society by the Target Group and the flotation of two publicly quoted investment trusts from M and G (Dual Trust) and Save and Prosper (SPIT). The latter are both split level investment trusts in

vesting solely in unit trusts, thereby generating for the management groups considerable sums in terms of management fees.

There is no doubt that unit-linked life assurance in general has continued to grow in importance for the majority of groups, since such savings plans represent a regular source of income even when direct sales are on the wane. The whole question of unit-linked life assurance, however, is something of a hot issue at the moment, since everyone involved in this industry is waiting on the deliberations of the Scott Committee on unit-linked life assurance. The Property Bond operators in particular are believed to be coming under close scrutiny.

The actual brief for the committee is to see where existing legislation should be tightened up to protect policyholders. It is surely inevitable that some restrictive measures will result from this inquiry, but just how wide-ranging the examination will be remains to be seen. Certainly the bulk of the evidence submitted has tended to advocate a widening of the brief to embrace all forms of life assurance.

### Property fray

On the other hand, since a great deal of the evidence has gone beyond the original brief the Committee would be perfectly justified in ignoring these additional views.

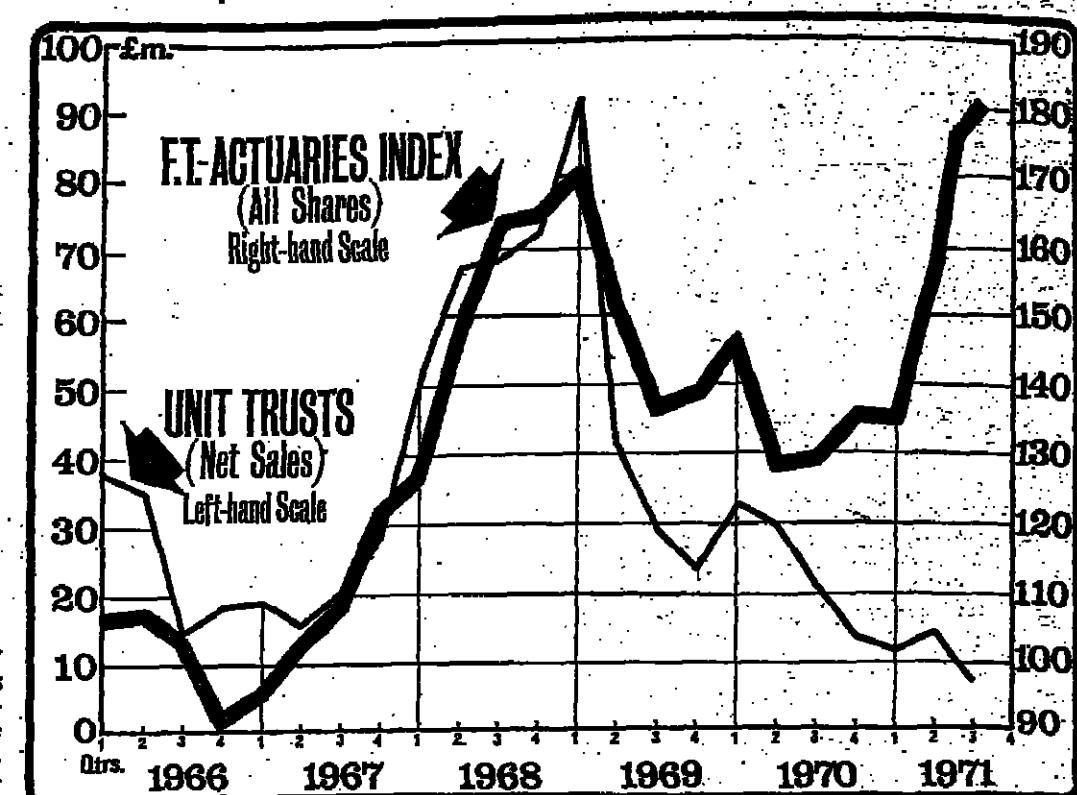
A lot of the recommendations put forward have been surprisingly far-reaching. For example, the Institute of Chartered Accountants has advocated the prohibition of direct sales forces and also the restriction of coupon advertisements. If such measures were to become legislation it goes without saying what effect this would have on the operations of, say, Abbey Life or Save and Prosper.

Most of the views have been given a great deal of Press

coverage and it is fair to say that the more established groups have been calling for self-regulation, as in the past, with the DTT on hand to apply the teeth in the event of anyone stepping out of line. Naturally the other faction—that is those

newer companies specialising in unit-linked business, and especially those formed after the 1967 Insurance Companies Act—have been asking for more stringent controls generally, regardless of formation date.

Some changes in the legislation covering unit trusts may also be on the cards. It is widely expected that capital gains tax on both unit trusts and investment trusts will be abolished altogether in due course. In fact, the last Budget went as



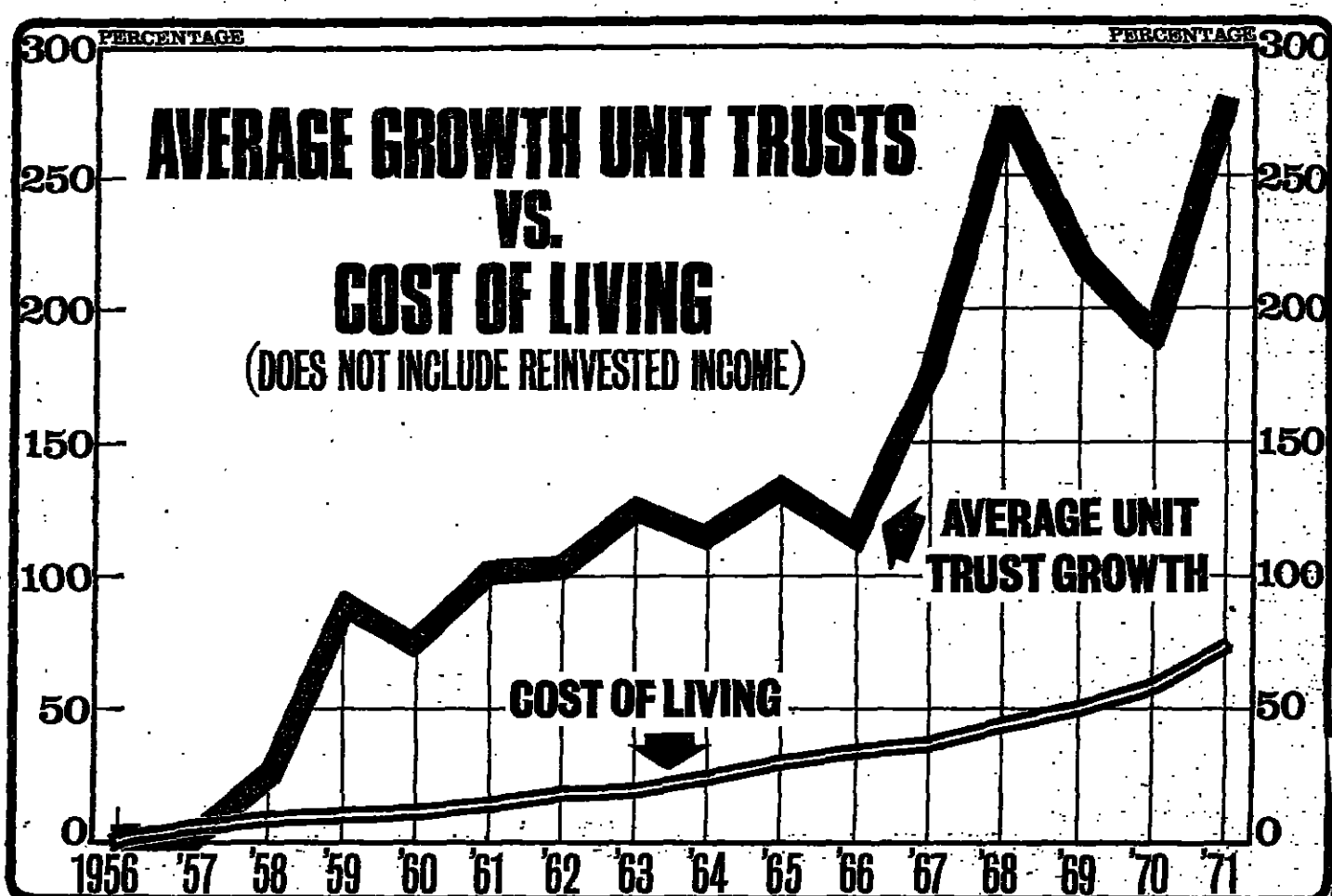
far as to remove short-term gains tax and applied the same overall rate of 30 per cent. However, by also lifting the amount of annual realised investments (not gains) exempt from this tax to £500 for the individual, Government has, in effect, made direct equity investment technically more attractive.

Another subject that is supposed to be under active review is the raising of management charges, which have remained fixed for a great many years.

The argument from the groups' point of view is that the higher annual charges accruing from the natural growth of funds are no longer sufficient to cover inflation. It is also suggested that without any adjustment the quality of fund management could suffer.

Aside from these relatively minor problems the chief obstacle for all unit trusts remains to restore credibility. One move that could help is the re-appointment of a public

relations agency for the Association of Unit Trust Managers, which may well lead to more active promotion of the industry as a whole. In the meantime, the worst of the depression would appear to be over on the sales/repurchases front. The great pity is that, with perhaps half or more of a bull market passed, when unitholders do begin to "feed" again the industry could gather up yet another layer of potentially disillusioned investors.



## A successful bridge to the equity market

By G. H. FLETCHER, Chairman, Association of Unit Trust Managers

Although the first unit trust appeared in 1931 the rapid growth of the industry did not commence until 1959. In the years before this the relatively few people who were able to save were content to use such saving deposit institutions as the Post Office, National Savings and building societies. So far as we can judge the pre-war unit trust investor held units to a value of approximately £800 which would indicate that the average unitholder hardly fell into the category of small saver.

It was not until savings had reached the marginal level at which essential savings and consumption needs were satisfied and not until investment in stocks and shares began to be recognised as a method of combating inflation that the unit trust industry began to grow. Individuals have realised that if they wish to have absolute security for their savings in money terms they might have to accept, except in the short term, loss in real value. If they wish to seek to maintain real value they have to put their capital at risk and unit trusts offer a method of doing so on acceptable terms.

### Value expansion

The expansion in the industry has carried the value of unit trust funds from £200m. at the end of 1959 to over £1,800m. at the present time. Some statistics for the industry since 1965 are given in Table I.

The extent to which unit trust investment has spread to lower income levels can be observed from the fact that the average unitholding in 1971 is £780 which in real terms is about 1/5th of the pre-war figure.

A comparison of the amount of savings attracted to unit trusts and other savings institutions over the period from the end of 1965 to the end of August, 1971 shows that the growth in savings going into unit trusts has outstripped that of the other forms of savings, namely 246 per cent. compared with 119 per cent. for building

TABLE I

UNIT TRUST STATISTICS 1965-71				
End year	Value of funds £m.	Net investment £m.	Unit holdings	Average holding £m.
1965	522	59	1,419,100	368
1966	582	105	1,637,497	355
1967	854	84	1,711,157	498
1968	1,482	258	2,418,097	690
1969	1,412	186	2,395,740	590
1970	1,398	98	2,396,829	583
1971*	1,836	53	2,341,286	784

\* End September

TABLE II

COMPARISON OF UNIT TRUSTS WITH OTHER SAVINGS INSTITUTIONS 1965-71				
End year	Total funds unit trusts £m.	Building societies share and deposit accounts £m.	Trustee Savings Bank £m.	Other National Savings £m.
1965	522	5,159	2,030	6,336
1966	582	5,883	2,151	6,334
1967	854	6,990	2,272	6,194
1968	1,482	7,764	2,365	6,182
1969	1,412	8,852	2,411	6,042
1970	1,398	10,142	2,542	6,044
1971*	1,810	11,320	2,700	6,241

\* End August

Source—Financial Statistics

societies and 31.5 per cent. for National Savings, including the Trustee Savings Banks (Table II).

It must be emphasised that unit trusts are essentially a medium to long-term repository for savings best suited to protect the real value of capital and are complementary to National Savings and building societies which meet the need for short-term savings. The success of the industry must in the long run depend on the ability of its managers to justify the claim that they provide a safeguard against inflation and its erosion of the purchasing power of money. The performance of unit trusts obviously varies from trust to trust but taking the average value of all unit trusts it will be seen that the appreciation since January 1st, 1966, has beaten by a considerable margin the rise in the cost-of-living over the same period.

The graph above shows that while a unitholder can expect his investment to grow in value it will not be steady growth. He must learn to live with the ups and downs of stock market fluctuations which in the short term can reduce the value of his investment. An individual should not put any of his capital at risk until he has first made provision for house purchase, insurance and emergency needs. Unit trusts are not for the short-term speculator. There is no doubt that many individuals came into unit trusts in 1968 for the wrong reason; they were attracted by the prospect of short-term gain.

In very buoyant markets it was very difficult to keep a sense of proportion and too easy to get the rise in the equity market out of perspective. The statement that the price of units can go down as well as up lacked conviction when markets were rising strongly.

The sharp break in the market which came in the middle of 1969 and continued through 1970, left many of these new unitholders suffering a sense of disillusionment about unit trusts. The effect of this we have seen in an increase in the value of units repurchased in 1971 as unitholders sold out as the market recovered, and they were able to get out without loss. This is a familiar pattern following a bear market. Repurchases, which during the

last ten years have varied between four and six per cent. of the value of funds, have risen in the last six months to over seven per cent.

For the small saver, the most sensible way to make an investment in a unit trust is by a regular savings plan which averages out the cost of his investment. These plans also remove the difficulty of having to decide when to invest and periodical payments can be as low as around £5. This method thus provides the investor with a convenient and easy way to save in a manner to which many have become accustomed.

### Clearing banks

The two most important developments in the last decade have been the development of contractual savings plans linked to life insurance and the entry of the clearing banks and the Trustee Savings Banks into the industry. The unit linked insurance policy which, with the benefits of tax relief for the contributor, first appeared in the early 1960's has been vigorously promoted. These schemes are an important and growing source of funds for unit trust companies. The clearing banks and Trustee Savings Banks with their network of branches throughout the country have made a substantial contribution to the propagation of the unit trust medium of investment.

Unit trusts form a successful bridge between the equity market, which is in constant need of new capital and the investor who wishes to put part of his savings into stocks and shares. This service performed at a reasonable cost has led to mutual benefits for both parties. In the best interests of the small investor it is probable that if his capital is to be channelled into the equity market then there is certainly no more prudent way of handling this than through the medium of unit trusts—a method of investment which provides him with professional management, a spread of risk and a positive way of competing with inflation.

## Midland Bank Executor and Trustee Company Ltd.

Founded in 1909, we are a trust corporation operating in England, Wales and the Channel Islands through a network of 41 branches. The Company is a wholly owned subsidiary of Midland Bank Limited.

We transact all types of executor and trustee business, manage investment portfolios and provide a personal income tax service.

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We look forward to being associated for a long time to come with our friends in the unit trust movement.

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Manager: D. Kerr  
Manager, Unit Trust Department: R. G. Heape



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Company Limited**

A member of the Midland Bank Group

Handwritten signature in Arabic script.



## UNIT TRUSTS III

## The pitfalls of putting your trust in performance tables

By D. H. L. HOPKINSON, Investment Director, M and G Group

When historians come to record and judge the difficulties of the unit trust movement in the early 1970s they will undoubtedly stress the pernicious influence that performance tables had on developments in the movement. The greater part of the blame for this will surely be placed upon management groups who overvalued their products by using spurious figures, which may well have been placed on the financial Press, and who not only encouraged the personalisation of such performance tables, but also created an atmosphere of the purchases from the pages of the press, with the presumption that, with the aid of a few more of a bull market, the "feed" against the investment manager's performance would be potentially disastrous.

One should ask why some management groups made such a fundamental error of judgment and the reason is probably that the majority of people involved in the promotion of unit trusts and other associated schemes were basically salesmen and administrators and not investment people. These salesmen did not know enough about the investment business to know that the so-called performance figures they were having produced for them were meaningless in true investment terms, for they did not cover at least four of the main considerations that any investor should take into account before investing his or her money.

## How long

First, performance tables give no hint of how long the management has been running a fund; how often the management has changed or whether it has recently changed. This surely is the most important consideration of all when an investor is deciding to whom to entrust his money safely.

Secondly, performance tables do not and do not refer to the size of a fund nor to an individual fund's relationship with their funds in a group nor to whether a particular fund may be being given special attention at the expense of other funds, with the resultant collapse that follows an artificially generated high fever. A third point is that performance tables do not cover

that only increases its earnings and anyone making an investment of his savings should not be ignorant of this break-up. There will be those who say that the producers of performance tables have never claimed to provide a service for savers that makes up their minds for them without any effort, but this is exactly what has happened. We should, therefore, now examine how well the performance tables achieve what their supporters claim for them, namely the quantification of growth of assets and management expertise.

Some performance tables make a half-hearted effort to cover this point by adding back every year the net income, but this is a statistically unsound exercise. The reason is that a fund which increases its earnings from 2p to 2.4p in one year is putting up a first class performance compared with a fund

the several hundred funds in investment management, but existence with one another because they have a multiplicity of investment objects. For instance, a fund investing in Australia is in no way comparable with one investing in the U.K., nor is a fund investing at 7 per cent. comparable with one investing at 2 per cent. All funds which had substantial holdings in dollar stocks in the 1960s performed well, because of devaluation and the huge rise in the investment dollar premium. From the performance tables and the comment which attached to them, this was deemed to be due to good

the case was non-proven. Equally performance tables which base their figures on January 1 in each year are comparatively useless because funds are only strictly comparable either on a basis of exactly a year before or by comparing all funds whose accounting periods end on the same day. Otherwise, their dividend, corporation tax and capital gains tax situations are sufficiently at variance to throw out all useful statistical comparisons, which are often based on variations as small as 0.1p. It is not without relevance to

note that the largest general unit trust in the country had to alter its accounting date from the first fortnight in January to the last fortnight in December because performance tables operating from January 1 always made its performance look poor because it went ex dividend and ex tax in the first week of the year. Such is the baleful influence of performance tables.

Mr. D. H. L. Hopkinson

of most performance tables, but some scale of comparison for the unit trust market is important. Our group now produces with every six-monthly report of a fund a graph showing the growth of asset value and income on each of the funds over the whole life of the fund. These are compared with the cost of living and the FT 30 Share Index: an investor can therefore tell how both his capital and his income is faring compared to the value of money; after all this is what equity investment is about. The investor can also tell how his money is being looked after compared to the market average.

## Income growth

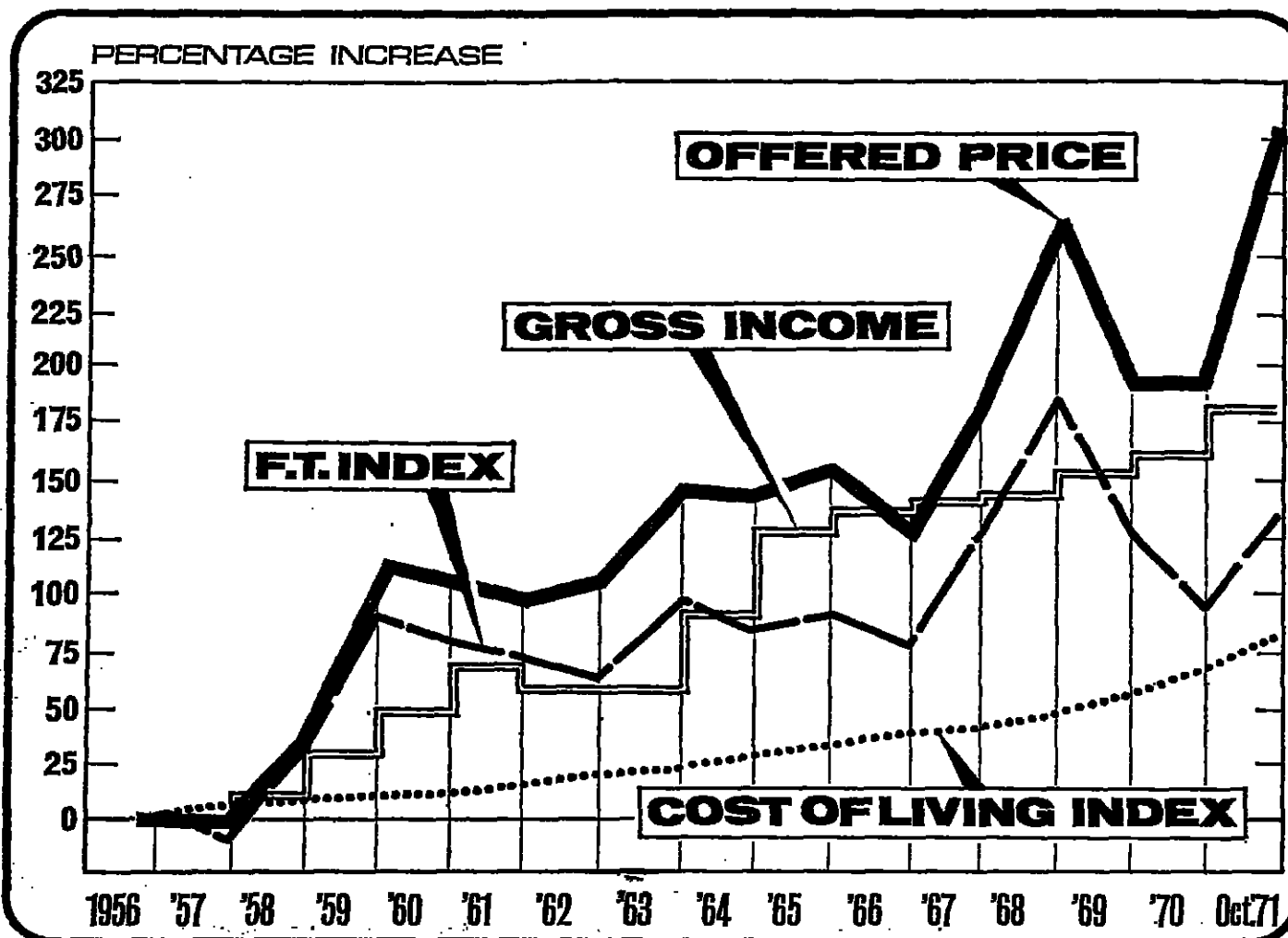
Some performance tables make a half-hearted effort to distinguish between income, growth and specialised funds, but this also can only be arbitrary and misleading. As to weekly and monthly performance tables and even one year figures, these encourage a totally irresponsible short-term view of investment and have led to warping the judgment of many young investment managers who have been misguided enough to think they are important.

It is important for the investment managers of unit trusts to keep in mind who the saver is and what he needs. In general no one should normally invest in a unit trust for less than five years; in fact, the average unit holder invests for more than 10 years and those saving in connection with insurance schemes seem to average out at about 12 years. Any performance tables, therefore, should be for as long a period as possible and the eight year tables are beginning to be helpful and informative, so long as information on management changes is available.

From the above it is probably clear that I do not think much by the unit trust movement.

## Same mistake

Performance tables have achieved a lot in keeping the investment management of the unit trust movement more on its toes than any other investment sector in the City, but, I suspect, personally, that this advantage is more than outweighed by the disadvantages mentioned above. One can only hope that investment trusts, insurance companies and the property bond movement do not make the same mistakes about performance tables that have been made in the past few years by the unit trust movement.



## COMPARATIVE RECORD OF A GENERAL FUND OVER 15 YEARS

The graph on the right attempts a representation of what performance tables should reasonably look like.

## Slater Walker Unit Trusts

All five Slater, Walker Unit Trusts have consistently out-performed the F.T.-Actuaries All Share and F.T. Ordinary Share Indices, since the funds were formed.

Whatever your investment requirements may be — above average income, growth, or a mixture of the two — these Trusts should provide a good opportunity for making a particularly sound investment.

## Financial Trust

First offered in July 1971 to invest exclusively in financial institutions including Merchant Banks, Investment Trusts, Clearing Banks, Insurance Companies, Finance, and Discount Houses.

The trust attracted £2.37 million on its initial launch offer and a further £1 million at the time of the subsequent offer. In the period since launch, units have appreciated 10.8% compared with falls of 1.7% in the F.T. Ordinary Share Index and 0.8% in the F.T.-Actuaries All Share Index.

The managers are confident that the financial sector will remain attractive to investors especially in view of the government's recent expansionary measures.

## Assets Trust

First offered in September 1970 to achieve sustained capital growth by investing in favourable 'asset situations'. These occur when a company's management fails to make sufficient profits out of the company's capital and the share price falls below the value of its assets per share. Such a company then becomes a prime target for a takeover or for introduction of new management and the share price should then rise as a result.

Since its launch the trust shows a rise of 57.6% compared with a 11.2% rise in the F.T. Ordinary Share Index and a 28.6% rise in the F.T.-Actuaries All Share Index.

This impressive performance reflects the great opportunities offered by 'asset situations' and the investment managers feel sure that they will be able to take advantage of the many situations which will continue to arise in the future.

## High Income Trust

A fund giving an above average yield which also offers good capital growth prospects. In fact, throughout 1970 the trust consistently produced the best capital growth performance of all UK unit trusts, and is amongst the leaders in 1971.

Since launch in July 1969 the price of units has risen 89.2% whereas the F.T. Ordinary Share Index has risen only 13.2% over the same period, and the F.T.-Actuaries All Share Index by only 36.5%.

As for income, an initial investment of £250 in July 1969 would have produced £40.52 gross income. Currently, the trust is yielding £5.01 gross per £100.

With the stock market generally showing a firm trend, and many companies now beginning to earn better profits and pay bigger dividends, the trust is extremely well placed to continue to provide above-average long term growth of both income and capital.

## Capital Accumulator Trust

For capital growth, where all income from the trust is automatically re-invested. This trust, formed in February 1969, has shown consistent relative out-performance having recorded a capital growth of 18.0% compared with a 16.7% fall in the F.T. Ordinary Share Index over the same period, and a 2.8% rise in the F.T.-Actuaries All Share Index.

The performance of this fund indicates an encouraging sign for capital growth investment in the longer term.

## Growth Trust

The investment objective of this trust is to achieve capital growth at the same time as providing some income. As Invan, the trust was formed in May 1967 and since then has shown an impressive growth of 97.6%. This compares with a 14.5% rise in the F.T. Ordinary Share Index and a 67.4% rise in the F.T.-Actuaries All Share Index. Stock Market conditions have improved and the outlook for corporate profits in many sectors is more hopeful than for some time past, and therefore prospects for medium and long term investment are good.

All performance figures are up to 21st October, 1971.

For further details of these trusts, please write or telephone: Slater, Walker Trust Management Ltd., Leith House, Gresham Street, London, E.C.2. Tel: 01-236 4236.



## UNIT TRUSTS IV

## EEC enlargement may produce better international trust results

By DAVID WRIGHT

The strong possibility of Britain's entry into the Common Market and the recent economic developments in the U.S. lay the way open to interesting speculation about the future of unit trusts specialising in the international markets.

It is generally expected that entry into the EEC will not only create a greater movement of investment capital but will also mean the end to the investment dollar premium mechanism as far as the Community is concerned.

The dollar premium has long been a drawback to the expansion of Continental investment and it is significant that there are only two authorised unit trusts concentrating on these markets. The two are Schroder Europe and Save and Prosper European Growth Fund.

## Greater hurdle

However, probably an even greater hurdle in the path of the expansion of international investment has been the general lack of uniformity in standards of company reporting and accounting procedures. In some European countries the law does not require consolidated accounts while the methods of depreciation and auditing in some cases leaves much to be desired. The Federation Internationale des Bourses de Valeurs has long been examining the ways of achieving the accuracy of published accounts, and there is now definite evidence that their recommendations are contributing to a steady improvement of the quality of company information.

Given this improvement, entry into the EEC and the abolition of the dollar premium, could well just be the boost that was

needed to stimulate the investment appeal of a European Fund.

In contrast to the European markets Wall Street has been a large hunting-ground for unit trusts specialising in overseas. Although by and large Wall Street has not compared well with London over the past five years or so—the accompanying graph gives some idea of the recent performances—there have been numerous opportunities to make substantial capital gains in individual stocks.

Investment interest in the U.S. market must have been increased by the recent economic developments. Although Wall Street has lost most of the gains achieved in the days just after the announcement the feeling among some circles is that most American companies are going to see about double the real growth next year than will be achieved in 1971. This should have some implications on Wall Street, if only in the short-term.

While the U.S. economy measures may have been the answer for Wall Street they had a drastic effect on the Japanese market. In the week following the announcement the new SE index plummeted 17 per cent. This panicky reaction resulted in similar falls in the offer prices of both M and G Japan, and Save and Prosper Japan Growth Fund.

## Mining industry

The events mentioned so far are clear indication of the volatile nature of a fund specialising in any one market or area and as such these high risk, high reward, operations should be left to the sophisticated investor.

Another example of the fluctu-

ating fortunes of these types of funds can be gauged through the performance of Pan Australian. The boom of the Australian oil and mining exploration companies, and indeed the mining industry in general, for much of 1969 gave U.K. investors exciting opportunities during the bear phase in London. Since then, however, the Australian market, in particular mining shares, has plunged in dramatic fashion. Such has been the drop that Pan Australian fell from the top of brokers G. S. Herbert's ranking in 1969 to last but one in 1970 and last at this stage of 1971.

## Overseas market

Enough said about the specialist funds; for the average size of unit holder who wishes to invest in the overseas market the international fund seems to be the best bet. Here investments are made in any overseas market and the fund manager is able to switch from one situation to another as the opportunity arises. This switching of the portfolio gives the fund more flexibility than can otherwise be achieved in a specialist fund.

The strength of the demand by British investors for overseas securities together with the need to protect the balance of payments has made it necessary for the Bank of England to make certain monetary controls. U.K. institutions, under the voluntary restraint programme, have been unable since 1966 to invest new money in the four developed countries within the sterling area.

For the funds operating outside the sterling area it is necessary for them to obtain invest-

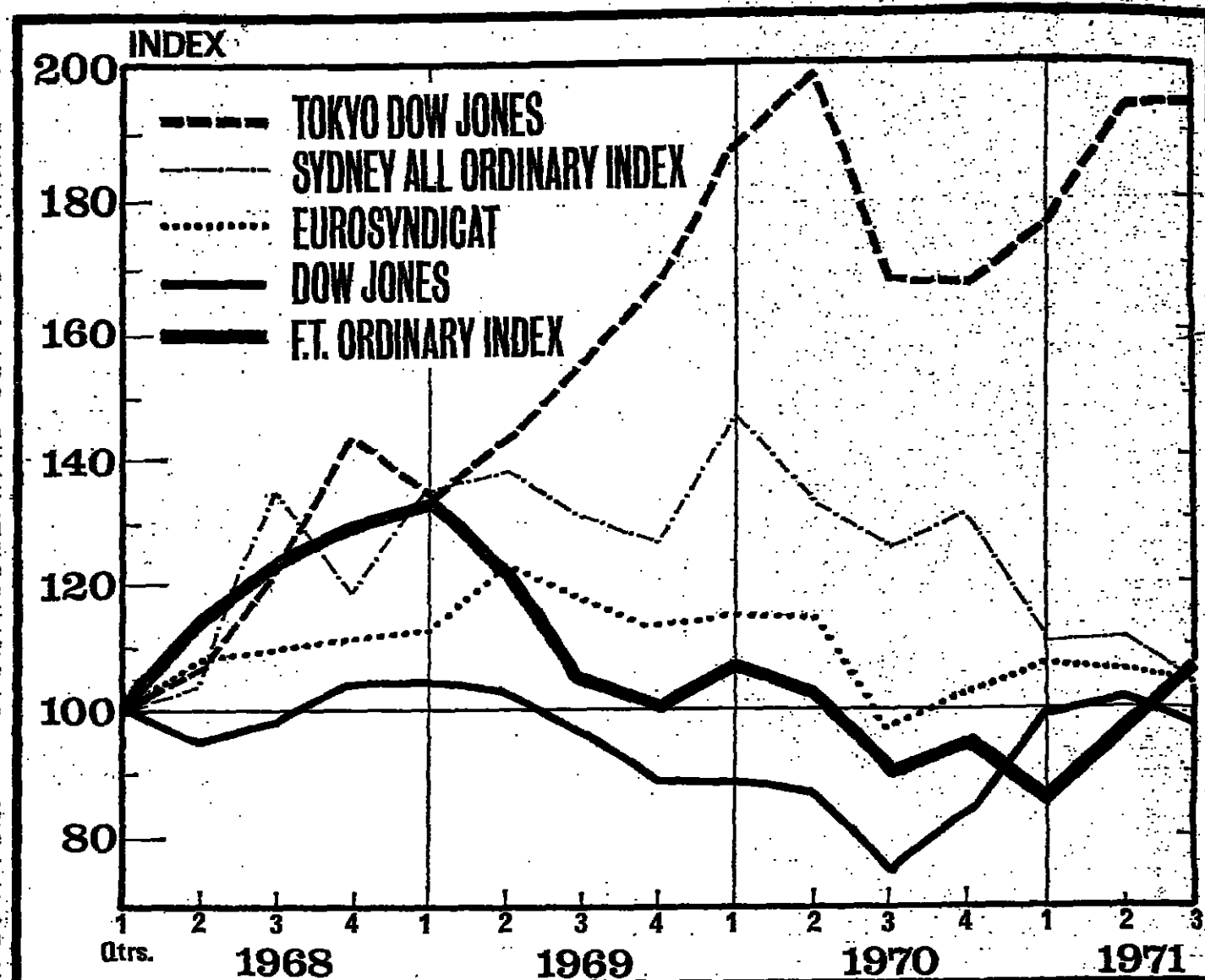
ment currency at a premium, 25 per cent of which must be surrendered on realisation, or arrange a sterling/dollar back to back loan. In the past when the dollar premium has been low it has not been beneficial for the fund to arrange a back to back loan since the expense is generally greater than the 25 per cent surrender clause. But the strong possibility of the dollar premium disappearing together with the fact that the premium can fluctuate to very high levels has prompted some groups to plump for a dollar loan.

The Bank of England stipulates that a sterling amount equivalent to the dollar loan be put on deposit. When interest rates were higher in the U.K. than in the U.S. this method of raising dollars had an added attraction. In other words the fund earned more interest on the sterling deposit than it actually paid on the loan. However, the sharp decline of interest rates in the U.K. of late has meant that the differential has swung to the side of the dollar loan.

## Best yardstick

These technical points, though, are not really of primary importance and the best yardstick must be the performance of the fund over a given period. It is true to say that apart from one or two isolated cases the performances of these international and specialist funds have not really been impressive in the past.

One assumption to draw from this is the general lack of knowledge among fund managers about world markets. But assuming some improvement in the competence of managers and given that investment



## Specialisation still contentious

By MARK ST. GILES, Managing Director, Jessel Britannia

Specialisation to-day is that leaving aside the expansion words "and general" in the generally regarded as a good of insurance-linked savings schemes, which are mainly based on general funds, the portion of money flowing into specialised trusts purely as investment capital will increase. This trend is largely the result of the increasing awareness of the investing public. The average unit holder tends to follow market trends more carefully than in the past, and is more anxious to profit from his own ability to judge which are the best growth sectors of the market at any one given time.

Superficially, unit trust specialisation implies a certain degree of contradiction, in as much as a widely diversified portfolio of investments is one of the intrinsic qualities—and key attractions—of the unit trust movement. However, in those investment areas where market volatility makes private investment a highly speculative venture, unit trusts specialising in that particular sector may be the only valid solution.

Specialist unit trusts are therefore one step removed in sophistication from the most general trusts. They exist for the investor who, perhaps in consultation with his professional adviser, is prepared to take a view of a certain sector, but lacks the resources necessary to provide himself with sufficient spread in that sector to offset the possibility of picking the wrong share.

## Marketing image

At this stage, it is worthwhile to differentiate between a truly specialist unit trust and one which incorporates what may more accurately be described as a marketing image. The essential ingredient is that the portfolio of a specialist unit trust should be strongly biased towards a definable stock market sector. A fund with its holdings concentrated into a geographical region is therefore not, strictly speaking, a specialist fund in the same sense.

Specialised unit trusts inevitably pose special problems for their managers, but they are obviously keenly supported by a knowledgeable section of the investing public which appears to be growing rather than contracting. In the early days of the unit trust movement, specialisation, where apparent, lay mostly in the sphere of investment trusts or banks, whose central attraction was the further reduction of risk achieved by building up portfolios of shares which offered an exceptionally broad spread of interests in themselves.

The success from the performance point of view of these unit trusts was in itself a recommendation for specialisation. But specialisation has now gone far deeper than this with the establishment of unit trusts which are slanted towards plantations and commodities, recovery situations and new issues, for example.

The amount of money attracted to specialised funds is rising, contributing to the strength of the unit trust movement, and it seems probable

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## A small gesture of our appreciation



## How much have your savings appreciated this year?

5%?? With tax to pay? Investors in the Robert Silk Property Bond have seen the price of their investment rise 10.1% in the first ten months since its launch in October 1970—net of income tax and capital gains tax.

## What is The Robert Silk Property Bond?

It is a fund made up from the pooled resources of many investors which is used to purchase commercial properties with a real growth potential. The fund grows, not only as the value of these properties rises, but as income received from tenants is ploughed back into the fund. Thus you have an outstanding investment—on the one hand based on the security of solid bricks and mortar and on the other on the steadily increasing value of property as rents continue to rise and land becomes scarcer.

Whilst property values may fall as well as rise, the value of property has steadily appreciated and the Management, with 25 years of property experience behind them, are confident that the long term trends will remain upwards.

## Life Assurance and Tax Advantages too.

Because an investment in The Robert Silk Property Bond is made through an assurance company, you receive two important additional benefits.

One, your life becomes insured for 130% of the value of your investment (100% if over 50), so the Bond holds automatic safeguards, even for your dependants.

Two, a Property Bond, as opposed to an investment in a Property Company, benefits from the special tax position of a Life Assurance Company—leaving the

Lion's share of growth for the investor—our first 10 months 10.1% growth is the result of capital gains tax and no income tax is payable. Whilst surtax liability may rise, this can be largely mitigated and in some cases entirely eliminated—our head office will be pleased to advise you personally on this aspect.

## Ease of cashing in.

In order that you may cash all or part of your Bond at any time, the Company maintains a 20% liquidity margin. Although in the interests of all Bond holders, the Company reserves the right to withhold payment for up to 6 months in exceptional circumstances, this liquidity margin is considered more than sufficient to meet all normal demands. Upon encashment you will receive the full published price of your units, less a small redemption charge which will not normally exceed 1%—this price is net of capital gains tax and there is no "bid and offer" spread.

## And if you require income...

You can, on an investment of £1000 or over, obtain 7% p.a. by realising an appropriate number of units. Just tick the relevant coupon in the box and the annual cashing of units and payments of income will be made automatically; capital growth should ensure that the remainder of your units at least maintain their value. And although surtax liability may arise, this income will be income—tax free.

## We'd like to make your savings appreciate too...

Just return the coupon below, together with your cheque and you will receive early confirmation of your stake in tomorrow's property growth.

**The Company's authority**  
Property, Equity & Life Assurance Co. Ltd. who issue the Robert Silk Property Bond have been authorised by the Department of Trade & Industry under the provisions of the Insurance Companies Acts 1958-1967.

**Management charges**  
There is an initial management charge equal to 5% of your investment; the balance secures units in the Robert Silk Property Fund. A monthly charge of 1/4% of 1% is made against the net asset value of the Fund.

**Report and accounts**  
Bondholders will annually receive a copy of the Company Report and Accounts, duly audited. This will contain full details of all property and other assets of which you are part owner. A schedule setting out the same full details is available for inspection at our Head Office.

**Valuers**  
Druce & Company (Established 1822) of 54 Baker Street, London W1 value our properties when they are bought and at least annually thereafter.

**Bankers**  
National Westminster Bank Limited, 15 Bishopsgate, London EC2 2AP. They will have in safe keeping all Deeds and Documents relating to properties and assets owned by the Fund.

## The Robert Silk Property Bond

To: Property, Equity & Life Assurance Company Limited,  
119 Crawford Street, London W1H 2AS. Telephone: 01-486 0857



I wish to invest (minimum £200) in the Robert Silk Property Bond, for which I enclose a cheque made payable to Property, Equity & Life Assurance Company Limited. I understand that the units will be allocated at the price current upon acceptance by the Company of my application.

- ☐ Please tick this box if you wish to take advantage of the 7% withdrawal plan.
- ☐ If you require details of our monthly investment plan please tick this box.

NAME \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
OCCUPATION \_\_\_\_\_  
DATE OF BIRTH \_\_\_\_\_  
FT/11

**Declaration**  
I declare that I am in good health and do not engage in hazardous pursuits or fly other than as a fare paying passenger on a regular air route. I further declare that the foregoing statements are true and complete and shall form the basis of the proposed contract with the Company.

SIGNATURE \_\_\_\_\_  
DATE \_\_\_\_\_



## UNIT TRUSTS V

## Putting glamour back into offshore funds

By MICHAEL BLANDEN

Recent efforts to bring some order into the business of the management of international mutual funds are a clear indication of the anxieties caused by the dramatic setbacks suffered by the once glamorous offshore fund industry. Some of the new regulations being applied in countries where funds are sold have had the initial effect of contributing to the series of blows which have hit the offshore fund concept in the past 18 months. But attempts being made both by national authorities and by international organisations to ensure better regulation may hold the promise of an eventual rehabilitation of a potentially useful idea.

The offshore concept reached the pinnacle of its fame on a wave of enthusiasm for international investment. The funds, offering tax and other advantages, appeared to many investors as the vehicle through which a new era of world-wide investment, in an atmosphere of freedom from petty restrictions, would be achieved.

## Missionary zeal

The mood was fostered by the enthusiasm of some of the big management groups, and the missionary zeal demonstrated by the hard selling tactics of the IOS type of operation. Now, the whole concept has lost, perhaps permanently, the glamour which it attracted at the height of its fortunes. The weaknesses thrown up by some of the events of last year, and the abuses in some sectors of the industry, have brought a reaction of disenchantment which has affected the whole business, without much discrimination between the more stable elements and those which were susceptible to the evident dangers inherent in the concept.

As a result, though there are still hundreds of funds controlling substantial sums of money, the inflow of investor money has more or less stopped. Indeed, overall the flow of money is probably the other way.

The events of 1970, the year of crisis, had several aspects—with the common feature that they showed up not merely weaknesses in the offshore concept, but also that the advantages claimed for the funds could in some circumstances work against the interests of investors.

## 1969 peak

A poor investment performance has been one of the main factors contributing to the decline. A number of funds had been launched during the peak of the fashion for the offshore idea in 1969, at the same time, world stock markets were reaching their tops. The subsequent setback in prices brought a problem for the funds which tended to be exaggerated by the very nature of the advantages they had claimed. In this situation, the gearing that some funds had been able to introduce—borrowing money to invest on behalf of unit-holders in a way which is not open to the domestic U.K. authorised unit trusts—worked

## Tighter rules

Attempts by the industry itself to enforce some form of regulation may not be very effective. But, on one hand, some of the more easy-going tax havens have themselves begun to tighten up on the funds operating from their territories—Bermuda and the Bahamas, for example, are setting rather stricter standards. On the other, the tighter rules imposed by countries on the receiving end, though initially contributing to the problems of the offshore funds, may provide the chance to rationalise international regulation of the funds.

The standards of good practice for mutual funds proposed by the International Federation of Stock Exchanges at its recent meeting, and approved in principle by the London Stock Exchange, could perhaps provide a basis for an international code, to be subscribed to by countries on both sides of the business. Its emphasis was particularly on the disclosure to investors of the type of information which might have enabled some of the wilder schemes to be prevented, and on the proper valuation of funds. On this basis, the offshore fund concept might in time

recover from its present difficulties. It should be possible for an offshore fund, properly regulated and responsibly run, to be recognised for the real advantages which the concept can offer, but without the exaggerated enthusiasm of the last period of expansion.

For the U.K. investor, the benefits of going offshore are modest, but real. The major one is the postponement of capital gains tax, which might be of particular interest to investors looking ahead to eventual retirement abroad. On top of this, the investment freedom of

the funds—the absence of capital gains tax on switching, the possibility of avoiding the U.K. surrender of 25 per cent. of the dollar premium, and the possibility of investing in assets other than equities—should, properly used, be of real benefit to the performance of the offshore funds.

With these advantages, as well as the possibilities of gearing, responsibly handled, and with a degree of selection by investors, the offshore fund could establish an accepted place in the investment armoury.



Prototype telephone exchange of the future—a completely solid-state automatic switching system. Developed by GEC-Marconi and called Martex, it is in operation at the group's Line Communications Division in Essex.

## The best answer to falling interest rates: the £68,000,000 Abbey Property Bond Fund. Security plus Performance.

Recent cuts in interest rates are going to make a lot of people take a second look at their investments.

Most of them will now be looking for an alternative which will not only keep their money safe but give them a good return, too. To date, 34,000 people have found that the Abbey Property Bond Fund does both things extremely well.

Starting from scratch 4 years ago, the Fund has grown to a record £68,000,000. (In the last 2 months alone, investors sent in cheques totalling over £6,000,000.)

With this kind of money behind us we can snap up giant multi-million pound properties all over the country. Which means your money is going into one of the safest investments around. And one of the most profitable, too. Not only does your capital appreciate but, depending on the amount of money you invest, you can withdraw 6% a year tax free—a feature fully explained later in this advertisement.

## Security

The Abbey Property Bond Fund is the biggest and most successful in Britain. But we have a lot more behind us than just our own individual assets. Abbey Life itself is one of the country's best known Life Assurance companies with assets exceeding £140 million. And behind them is the giant ITT Group, worth £2,800 million. So you're in safe hands.

## Performance

One of the most attractive features of the Fund. Since its inception in 1967, the bonds have continued to appreciate. Indeed, over the last 18 months the growth has been dynamic. In the last year alone, from October '70 to October '71, Abbey Property Bonds increased their value by a handsome 12.5% (including the re-invested rental income net of tax). Paying tax at the standard rate you would have needed a gross income of 18.1% on your money to achieve the same result.

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As long as you hold Abbey Property Bonds your life is assured automatically, at no extra cost. As part of the new improvements, life cover will increase by 3% p.a. compound from the policy anniversary following your 65th birthday.

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Provided you make a single investment of not less than £1,000 you may, if you wish, withdraw up to 6% of the value of your bond each year—entirely free from Income Tax and Capital Gains Tax. The withdrawal scheme also incorporates a new feature. If you invest not less than £2,000, £4,000 or £12,000 you may now elect to have your withdrawals paid half-yearly, quarterly or monthly respectively. Of course, property values can fall as well as rise but provided that the annual total withdrawal does not exceed 6%, and that total annual appreciation is not less than 6%, your bond would retain its original value (calculated at the offer price of the Units). The annualised growth rate achieved has, in fact, comfortably exceeded 6% since the bonds were introduced.

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Arundel Towers, Southampton. One of eight major properties in the Abbey Property Bond Fund with an aggregate value of £24,000,000.



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Surname (Mr./Mrs./Miss) \_\_\_\_\_

Full First Names \_\_\_\_\_

Address \_\_\_\_\_

Occupation \_\_\_\_\_ Date of Birth \_\_\_\_\_

Are you in good physical and mental health and free from the effects of any previous illness or accident? If not, please give details \_\_\_\_\_

Do you already hold Abbey Property Bonds or Abbey Equity Bonds or another Abbey Life Policy? \_\_\_\_\_

Tick here for 6% Withdrawal Scheme: ☐ annually (minimum investment £1000) ☐ quarterly (minimum investment £4000) ☐ half-yearly (minimum investment £2000) ☐ monthly (minimum investment £12000)

Send in your application and cheque now to get the benefit of the new Accumulator Units allocated at the current offer price of £1.02. Offer closes on Tuesday November 2nd, which is valuation day. Thereafter Units will be allocated at the offer price ruling on receipt of your application.

Signature \_\_\_\_\_ Date \_\_\_\_\_ FT MON UTS

Abbey Property Bonds are simply premium life assurance policies. The application and the cover comes into force only upon acceptance by the Company, and the life cover may be withdrawn. Commission of 12% will be paid on any Application showing the cover of a Bond, Insurance Broker, Solicitor, Accountant or Solicitor. This advertisement is based on legal advice received by the Company regarding present law and intended benefits. No medical evidence will be required in normal cases.

Age next birthday	Life Cover per £1,000 invested
30 or less	£2,814
31	£2,792
32	£2,652
33	£2,575
34	£2,500
35	£2,427
36	£2,352
37	£2,288
38	£2,222
39	£2,157
40	£2,094
41	£2,033
42	£1,974
43	£1,916
44	£1,860
45	£1,808
46	£1,753
47	£1,702
48	£1,653
49	£1,605
50	£1,558
51	£1,513
52	£1,469
53	£1,426
54	£1,384
55	£1,344
56	£1,305
57	£1,267
58	£1,230
59	£1,194
60	£1,158
61	£1,128
62	£1,093
63	£1,061
64	£1,030
65-80	£1,000

Life Assurance Company rate—currently 37.5%

The Company also makes a deduction where appropriate from the value of cashed-in units to cover its own Capital Gains Tax liabilities. These liabilities are not adjusted for in the unit price. Whereas before the deduction was made at  $\frac{1}{2}$  the full rate of tax, in present circumstances the deduction will be made at  $\frac{1}{4}$  of the full rate—a new feature.

Surplus payers are liable to surtax (or higher rate tax after 1973) when they cash in, or on death, depending on their surtax situation at the time of cashing in. There are a number of provisions which enable a surtax payer to reduce, and possibly eliminate, the liability. If you are a very high surtax payer you should contact Abbey Life for precise details.

## Investment Policy

The Abbey Property Bond Fund is invested in top industrial and commercial properties with really sound tenants. To name but a few—National Westminster Bank, Esso Chemicals, The Post Office, W. H. Smith, American Express, IPC and Boots.

The Fund also buys sites and constructs its own buildings in conjunction with approved developers. Naturally, this is only undertaken with letting of the completed properties guaranteed in advance. Up to 25% of the Fund can be applied in this way.

## Regular Valuations

The Fund Managers, the Property Division of Hambros Bank, carry out a valuation of the Fund's properties once a month.

These valuations are independently audited by Richard Ellis & Son, Chartered Surveyors.

To make it simpler for new Bondholders, property bond units will be of the accumulator type where income is automatically re-invested and expressed as an increase in the unit value. Those who purchased their bonds prior to October 1st will continue to receive their rental income in the form of additional units.

Prices for both types of units are published daily in leading national newspapers.

## Low Charges

To allow for life cover and management expenses Abbey Life charges 5%, plus a small rounding-off price adjustment, which is included in the offer price of the new accumulator units. After that, charges total only one-half per cent a year. All expenses of managing, maintaining and valuing the properties, as well as the cost of buying and selling the Fund's investments, are met by the Fund itself.

## Cashing in Your Bonds

You can cash in your bonds at any time and receive the full bid value of the Units, subject only to any adjustment for Capital Gains Tax as described earlier. The Company maintains adequate liquid resources, similar to that of building societies, so in normal circumstances there should be no delay in cashing in.

However, in exceptional circumstances, the Company retains the right to defer payment or implement the conversion option for up to six months, pending realisation of properties.

## Guarantee

Now, when you reach age 65, the cash-in value of your policy is guaranteed if you have held the policy for 20 years or more. The minimum cash-in value of your bond would then be the same as the life cover (which increases by 3% p.a. compound after your 65th birthday) illustrated in the coupon on the left.

## Disclosure of Information

As a Bondholder, you'll receive our Annual Report with full details of the entire Portfolio.

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All new Bondholders receive a current Annual Report.

Fill in and post the application form together with your cheque. Upon acceptance of your application, you will receive your bonds showing the number of accumulator units allocated to you.

## Specialists

—(Cont'd.)

Continued from previous page specialisation, and the same arguments obtain here. Clearly there are times when an overseas market looks much more attractive than London, but equally there is no certainty that this situation will continue. The unitholder must judge the timing of his purchase and sale accurately to take full advantage of these funds, and it may well be that he would be better placed in a general overseas unit trust in which funds can be moved out of one nation and into another, as conditions dictate. This is of course a parallel of the situation in the commodity field, where the dangers of over-specialisation can be more easily seen.

## Fortunes change

The main problem resulting from growth specialisation is that to-day's winners may well be to-morrow's losers, and vice versa. Conditions change continually and individual sectors, like the Stock Market, as a whole, tend to experience cycles of growth and stagnation. In theory, this should not represent a real problem, provided that the subject of the unit trust has been selected for its good prospects over a sufficiently long period.

This problem, therefore, revolves around investing in the wrong thing. In other words, provided that the would-be unitholder is satisfied that his chosen unit trust specialises in a group of investments with good long term growth prospects, he should attempt to buy when prices are at their most attractive.

Nevertheless, the investment managers equally have a responsibility inasmuch as they should endeavour to alter the ratio between the specialist and general elements to take every advantage of this cyclical effect. Unit trusts which concentrate on overseas Stock Exchanges, such as those in Japanese, North American or European investments, are another area of

## Answers to both

The public is becoming increasingly better informed and more alert to the available investment opportunities. At the same time, the competition for investors' funds has increased significantly over the last few years, particularly with the advent of property bonds and a more attractive National Savings movement. Specialisation represents one of the unit trust movement's answers to both of these developments, and providing that the subjects of these specialised funds have genuine potential for growth or income, and proven records of responsible and successful management, there is no reason why on overseas Stock Exchanges, the unit trust movement should not continue to assert itself as one of Britain's most compelling investment vehicles.



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## UNIT TRUSTS VI

# Views on property bonds as a competitive medium

By D. H. MAITLAND, Managing Director, Save and Prosper Group Ltd.

Autumn 1971 has seen the public's investment in what are generally called property bonds reach the £140m. mark. This must represent some part of the savings of at least 80,000 people, allowing for some of them taking up bonds with more than one company. It now does seem improbable that this comparatively new vehicle will prove a temporary phenomenon, although still possible that changes in tax or other legislation might alter the balance.

There are now some 22 life companies undertaking this type of business. It is notable that the great majority of these are owned or controlled by large institutions. Unusually for a new industry, existing institutions have taken over the running at an early stage and are now pulling in the bulk of new money intakes. In view of all the brouhaha about the business some two years ago, this should be encouraging, since these large institutions have every interest in employing best practices.

The larger unit trust groups were, arguably, slow to join in the business, but this is not surprising. A year and a half ago it was by no means assured that this new investment vehicle would really catch the public's interest. Few unit trust groups had property investment management facilities ready to hand. There seemed to be no good

enough reason to gear up to manage a completely different type of investment operation until the longer term attraction of the vehicle became assured. But, by this time last year, it was becoming apparent that property bonds were likely to stay the course, at which point several groups determined to tool up to join, and did so over the turn of the year (even if put out of balance by the postal strike).

## Hard to define

The extent to which investment by the public in property bonds accounts for the low sales of unit trusts in recent months is quite hard to define. There is no doubt that insurance brokers are an important source of property bond business. By and large, insurance brokers were not significant buyers of unit trusts, although a few years ago they bought for their clients large volumes of single premium unit-linked policies. Much of the insurance broker business is for large amounts and it is questionable whether much of this was previously in unit trusts or would otherwise have been so invested. It may, however, have been in equities or available for equity investment and, to an extent, therefore, high sales of property bonds through this source have kept some richer investors out of the stock market generally.

There is some evidence that money has moved into property bonds from investors seeking an inflation hedge for the first time. These are people for whom the transition to equities, even through unit trusts, would be regarded as risky, whilst an investment in bricks and mortar is felt to be along more familiar lines. It is closer both to house ownership and to a building society investment and a fairly natural development from the latter. A fair volume of inflows is out of building society money.

But, even taking these two significant factors into account, sample research reveals that quite a high percentage of unit holders are also holders of property bonds. This being the case, it is a fair assumption that some of their property bond investments have been effected either by switching out of unit trusts or by using new money which could have gone into unit trusts.

Although there may have been some switch from unit trusts (and equities) taking place, this should not create an unreasonable alarm to those in the securities business. There is logic in the private investor linking some part of his long-term portfolio in property, beyond his own home. Despite the imperfections, the property bond is the best vehicle yet

devised for the purpose and it is not now going to disappear. Investors will rightly seek a spread over a wide range of investment vehicles and the process of education will move both ways. Whilst some will switch from equities, others will use property bonds as their first step out of fixed interest securities and move from there into the equity market. Investment horizons are far too narrow for too many people and any sensible widening should be welcomed.

But, while property bonds can have a place in the portfolios of quite a wide range of investors, it would be quite wrong to regard them as a universal panacea — as the necessarily best investment of the 1970s. Nobody can be certain as to the course of future events or that growth in the property market will continue unchecked. Future rates of economic growth for the country as a whole, the pace of inflation, the pattern of interest rates, changes in taxation or legislation can all alter the outlook. It would be unwise to expect too much. The unit trust industry has been criticised for making too much of short-term performance in 1968. It would be a great pity if the property bond operators were

to subject themselves to the same criticism and totally unnecessary for them to do so. Investors ought not to go into property bonds for the short term on the basis of high growth rates over the previous two or three years. They should buy for the long term, feeling their money is locked up with a good chance of keeping pace with inflation and with the probability that if they do have to liquidate there is less likelihood of this happening at the bottom of a sharp downturn — as is often experienced with equities. But, equally, they should not expect the same opportunities for exceptional growth as can, from time to time, be found in equities. Over the years, nobody can tell which will do best, although one should expect a softer ride with property bonds. But, to sell on the basis of the very high growth that has been experienced over the past few years, is going to be bad for everyone.

## Course of events

It is not proposed to develop in this article the technology of property investment in relation to property bonds. There are, however, two points which are relevant to the themes discussed. The first is that it is much easier to seek (though never easy to find) the right kind of property if a fund is at a reasonable size. While it may not necessarily be true that the best investments are the largest, it is desirable for the investment managers to be able to operate over a wide range and not to be limited only to small properties. It thus becomes quite important to companies in the business to get reasonable inflows of new money in the first two years or so of operation.

The second point is that investment managers should not be over-burdened in their choice by imperative pressures to achieve exceptional short term performance. Finding the right property takes time and, meanwhile, liquid resources may not earn a great deal. It is better to accept this situation than to pressurise investment managers to get invested in what may be found to be inferior properties. Similarly, the best investments for long term growth may not be those which provide the highest short term performance. Once again, business cannot be raised pressure to achieve the latter must not become an inhibiting factor on acquiring the right long term property investments.

# Protecting annuities against the attacks of inflation

By ERIC SHORT

The linking of unit trusts with life assurance has now become a common feature in the unit trust world and is one method of hedging against inflation. The advantages and performances of such contracts are well known and are dealt with in other articles.

However, the linking of unit trusts with other types of contracts normally issued by the traditional life offices has, in general, been conspicuous by their absence. A start has been made in this direction by a few companies and a discussion as to what is involved is now appropriate.

## Opposite form

The field in which further developments are taking place is that of annuities. Immediate annuities are the opposite form of contract to life assurance. In the former, the investor is paying out a lump sum in exchange for an annual income, while under a life assurance contract the investor pays fixed annuity. Since most investors in these contracts are

elderly with a fairly short life expectancy, there would not be sufficient time for the linked contract to overtake the more traditional form.

Secondly, the equity market has always been volatile with in recent times the downs tending to balance the ups. With annuity business the life office has not the flexibility in timing that it has with life assurance. It receives money at the outset of the contract and is continually paying out thereafter. Thus, in theory, it is purchasing investments and selling them off thereafter.

The effect of inflation on such a contract is obvious and the real values of annuities have been eroded especially over the last few years. It is only natural that a unit-linked annuity would be considered as a means of issuing a contract which would keep its real value.

However, this solution is not as straightforward as would appear at first sight. The yield obtainable on short-dated gilt-edged stocks is about 6 per cent., while that on equities is 3½ per cent. Thus with an equity-linked annuity the starting level of payments would be well below that of the normal contract the investor pays fixed annuity. Since most investors in these contracts are

much smaller than that of life assurance. Business in annuities is more of a steady flow and does not respond in the same way to a hard sales campaign. Hence business cannot be raised quickly to take advantage of inflation.

Continued on next page

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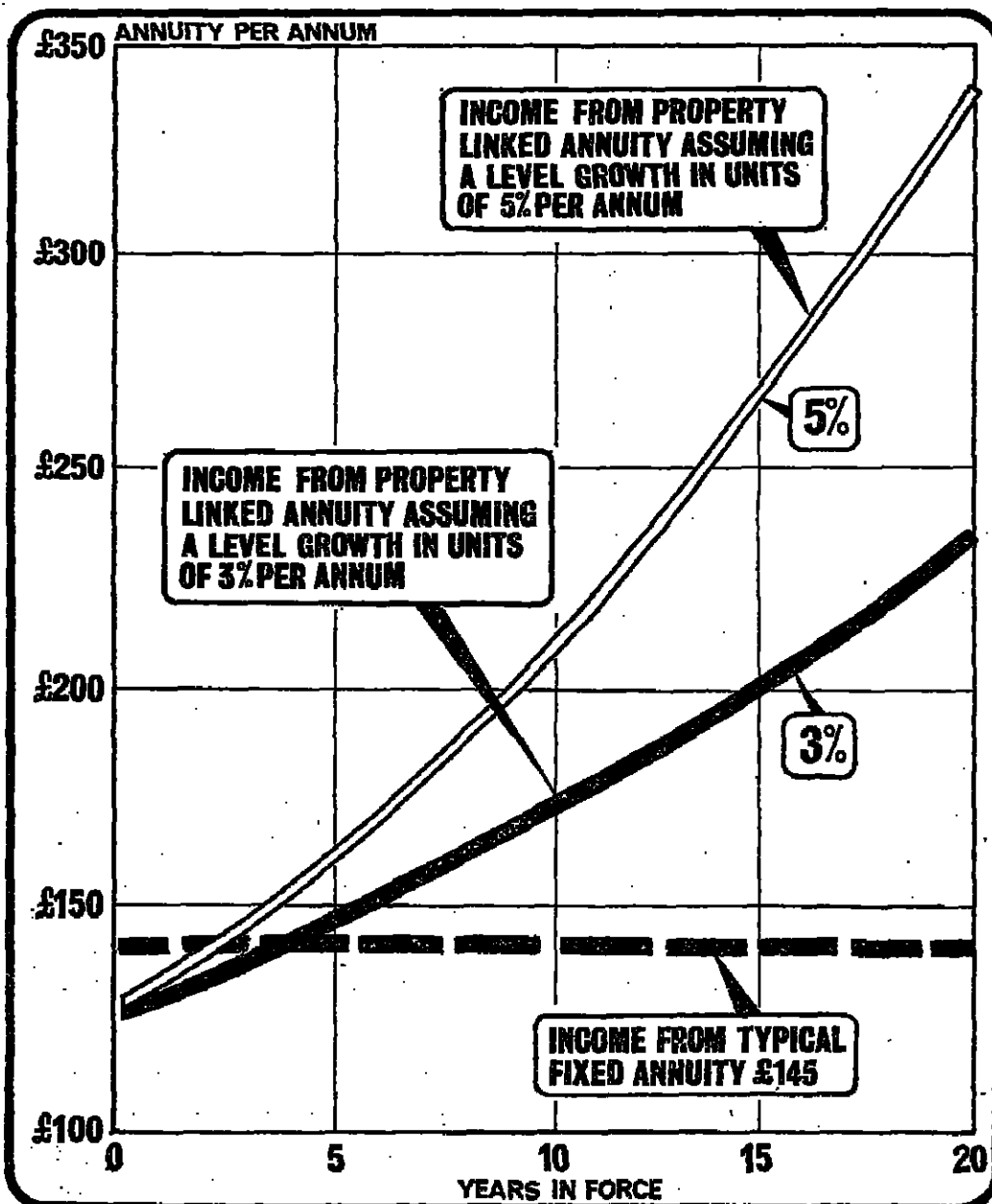
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## UNIT TRUSTS VII

# Marketing shortfalls spark new thinking

By JEREMY EDWARDS, Joint Managing Director, Vavasour Unit Management Ltd.

The present state of the unit trust industry is causing disappointment to many management companies, which suggests that there may now be a need for some reappraisal of the marketing approach.

Following years of successful marketing, many unit trust managers have recently seen their sales declining, repurchases increasing and the general public reluctant to acknowledge the merits of unit trusts. Indeed, because the unit trust industry is said to be doing badly, many investors and savers believe this to be a reflection of their performance as well. The fact is that despite the recovery in stock market prices, sentiment is still largely against unit trusts. In previous bull markets unit trust sales have tended to pick up more quickly. In the current bull market, this has not happened and in order to isolate the reasons for the current lack of interest it is necessary to recall

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	1968	1969	1970	1971 (to July)
PRESS .....	3,240	3,270	1,630	924
TV .....	13.5	11	23.5	24.9
TOTAL .....	3,250	3,280	1,650	949

the factors which contributed to the boom of the 1960s. Unit trusts became accepted as an investment medium on a wide scale for the first time during this period. Their emergence coincided with a sharp increase in the pace of inflation which led to much greater public interest in the equity market. The bull markets of the 1960s, and particularly that of 1967-68, provided unit trusts with the performance necessary to justify their claims to beat inflation. Moreover, they provided the established investor with a method of investment

that was far less volatile than an investment in individual shares. It was not until 1970 that the picture began to change. The industry started to lose its momentum and has since followed a much less spectacular pattern of growth.

### Advertising device

In line with this loss of momentum, the former main marketing device of the unit trust industry, newspaper advertising, has to a significant extent lost its effectiveness. Looking

back to the early 1960s, unit trust advertising increased steadily and the levels reached in 1968 and 1969 were nothing short of phenomenal. In those years virtually any advertisement in any newspaper for any type of fund would more likely than not yield sufficient sales, not only to cover the cost of the advertisement, but also to provide a substantial surplus of profit. The effect on sales was therefore considerable and advertising expenditure expanded at a correspondingly fast rate. Since that time expenditure has fallen away sharply as illustrated by the figures in the table.

The question remains whether unit trust newspaper advertising will recover its former effectiveness. Although the underlying cause of the decline was the severity of the 1969-70 bear market, the competition provided by the bond markets, and in particular property and insurance bonds, together with the increasing public allegiance to fixed interest savings such as building societies and national savings, has greatly influenced the swing away from unit trusts.

Whereas in the 1960s the major proportion of funds coming into the industry was derived from single premium unit trust investment, to-day the picture has changed considerably and unit-linked life assurance schemes have now become significant contributors to unit trust sales. Those schemes have not been affected by the poorer conditions for unit trusts to the same extent because they offer the investor the opportunity to contribute over a long period of time on a monthly contractual basis, whilst at the same time offering specific tax advantages. By this method unitholders are able to counteract the fluctuations of the market.

These policies have primarily been sold through the direct door-to-door method. There are clearly arguments both for and against selling this type of insurance and other savings media on this basis. Currently brokers, solicitors, accountants and the Scott Committee are examining the whole question and

criticism has recently been expressed of such methods in other quarters.

It must be recognised, however, that where the investment is spread over a long period and where the unitholder has the right at any time to terminate his policy (albeit at a cost) this method is far less undesirable than it would be for single premium plans where the timing of the investment could be quite wrong.

### Adviser's role

Looking ahead to the market, now take, I consider it is important to examine the role which the professional adviser can play in influencing individual investors and savers a distinct advantage to the management company in that unitholders would become more contented and more stable because they had been professionally and properly advised and the value of the wide coverage it provides will ensure it a place at a lower cost per hundred

which would result in less pressure on their margins with which to provide a more personal and professional service.

Other methods of marketing and selling will no doubt be tried in the future. Over the counter sales on a large scale seem likely and the attention of unit trust managers may well be drawn more towards that segment of the market which traditionally has invested its savings in fixed interest media.

The greater dependence of unitholders on professional advisers would, I believe, be welcomed by the industry because undoubtedly it would lead to more of the right people buying the right trusts for the right reasons.

The investor would receive guidance on the question of timing and on the selection of the trust.

Furthermore, there would be attention to the advantages of unit trust investment rather than a direct means of selling. Similarly, Press advertising may have more of a support function in the future, although the value of the wide coverage it provides will ensure it a place in the launching of new funds.

## Annuities —(Cont'd.)

Continued from previous page

vestors considering the other bonds on the market should give an investor confidence in this form of investment.

Although it is still early days in which to pass judgment, it seems certain that the property-linked annuity is the best answer yet to a contract which will provide an income which will not be steadily eroded by inflation and yet give a good return on investment.

The article has dealt with immediate annuities but there are other forms of insurance benefits which need protection against inflation and where a property linked contract would be the best answer. The obvious types are temporary assurances which are used to cover school fees and income benefits, which if and when they become payable serve a similar function to annuities.

The performance of property bonds since their inception has shown a record of steady growth with little volatility compared with the equity market. Such a steady growth rate—it has averaged 6 per cent per annum—would be most suitable to link with annuities to enable them to keep pace with inflation.

The accompanying graph shows how the annual payments of a linked annuity would grow on the assumption of a future rate of increase of 3 per cent per annum and 5 per cent per annum. A comparison is made with a fixed annuity and it shows how soon it is left behind by the linked annuity.

The quality of investment in property is discussed in other articles and the performance, in general, of the various property

bonds in recent years has shown that investments held entirely in property could provide the best solution in having a contract which would keep pace with inflation.

In the first place, the yield obtainable on property bonds is much greater than that on equities and in fact is not much less than that on gilt-edged investments. Currently, the starting value of a typical property linked annuity for a man aged 65 is £127 per annum for an investment of £1,000 compared with an average of £145 per annum on a traditional unlinked one. The difference would be acceptable to many in-

vestors considering the other bonds on the market should give an investor confidence in this form of investment.

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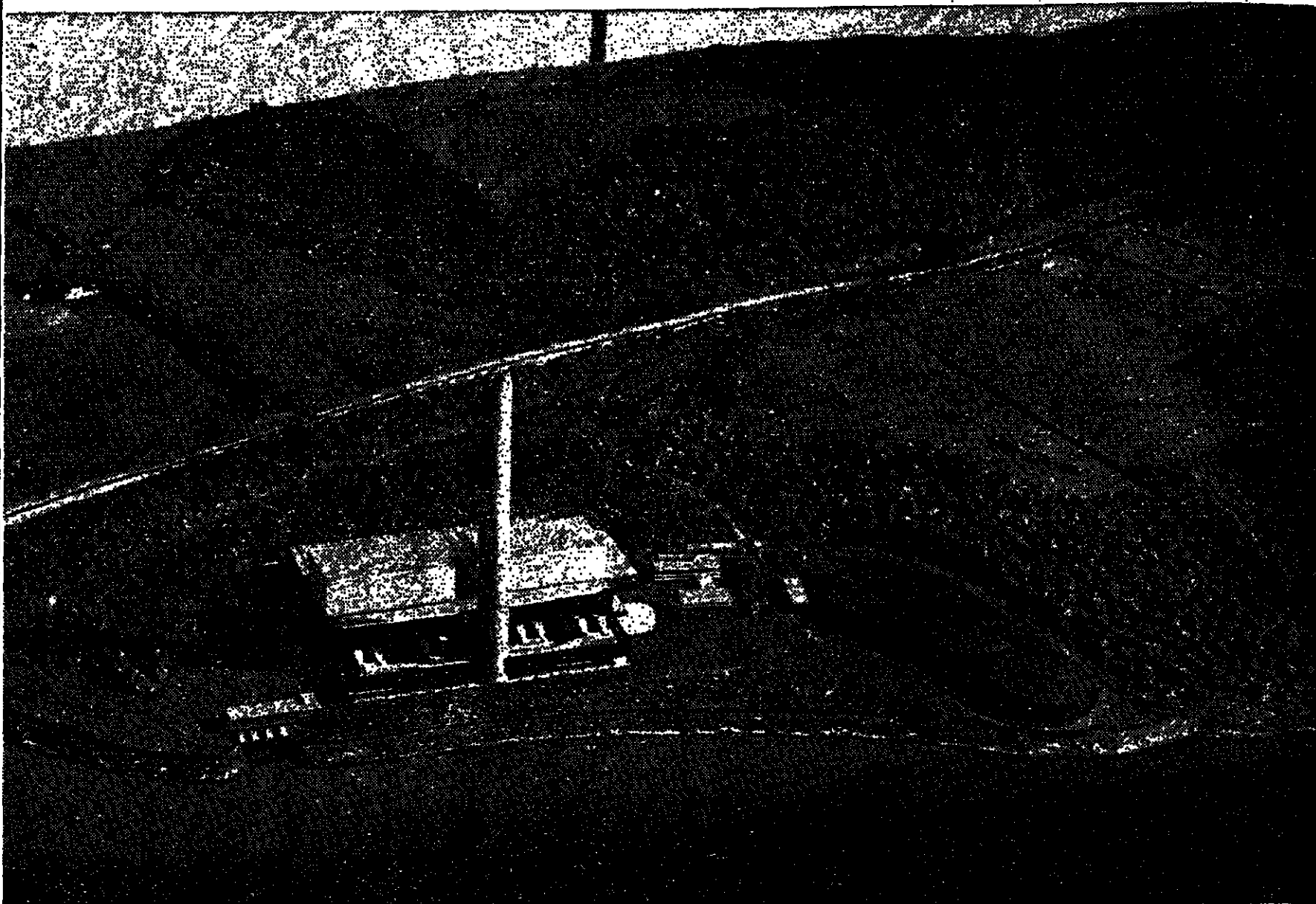
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## UNIT TRUSTS VIII



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## Specialist skills and the pension funds

By DRYDEN GILLING-SMITH

Before the days of Crossman the most controversial pensions topic was usually whether a company scheme should be insured or self-administered. Most arguments on this topic were inconclusive and the participants finished the day by re-asserting their faith in whichever dogma currently enabled them to earn a living.

What is surprising is that very little real effort seems to have been put into any real analysis of what was meant by "insured" or "self-administered."

The advocates of self-administration were fond of asserting that a company could save money by adopting a "do-it-yourself" approach because in this way it could pocket the money that would otherwise go to the insurance company in profit. There were the obvious rejoinders to the do-it-yourself campaign and when the analogy with direct labour building projects was drawn there was no shortage of examples to show that some public bodies had lost vast sums as a result of expensive attempts to "do-it-oneself."

Fortunately pension opinion is now moving away from this excessive polarisation and companies are tending to regard the various tasks connected with running a pension scheme in the light of the different specialist skills that may exist within the company already or which should be bought in from outside.

One of the traditional weaknesses of British pension scheme management was an excessive preoccupation with technical "how it's done" questions rather than with the much more fundamental questions of what benefits should be provided and for whom.

### Benefit formula

The up-and-coming company pensions officer was often tempted to believe that his role in the company was to prove himself as an investment whizz-kid – and this was a tempting idea in a world that seemed to live perennially in a bull market climate – rather than as someone who should be concerned primarily with up-dating the benefit formula and with the difficult task of communicating the benefits actually provided to employees.

If the bear market shake-out of 1969-70 has had a salutary effect on company pensions thinking it has been to bring home the realisation that investment of employee money requires expertise and is not a job for amateurs. Unless, therefore, the company is in the investment business it will normally pay to entrust the investment of pension fund money either to a merchant bank or to an insurance company.

Who in honesty could seriously advance the proposition that a superior level of investment expertise would automatically be found in one or other of these financial institutions? The tendency would inevitably be for the advocates of self-administration to lay great stress upon the yield of the pension funds managed by merchant banks and for the advocates of insured schemes to point to the benefits of a comprehensive pensions management service embracing the skills of administration, benefit communications, actuarial valuations, and so on, that were all wrapped up in the standard pensions service provided by an insurance company.

A company with a pension scheme with perhaps 5,000 or more members and whose pension scheme was handled by an insurance company had often to live through some heart-searching moments while it listened to tales of the yield it could obtain on its money if it were to go self-administered. How could it prove or disprove these allegations when it was trying to compare the premiums and bonuses of, say, a with-profit group pension policy which included all the administrative and professional service costs of running a pension scheme with the gross yield obtained by a merchant bank on the pension funds which had been entrusted to its care? Even more misleading could be the attempts to compare such yield by simply looking at the amount the company was paying into the pension fund each year – of course, the amount paid in depends upon the funding rate decided by the actuary and funding rates can vary widely according to the assumption which the company or the actuary decide to make.

As far back as the early 1950s attempts were being made to sell an insured pension arrangement known in the trade as "deposit administration," under which the investment service provided by the insurance company was separated out so that the pension fund could ascertain the investment yield which was obtaining.

The normal type of deposit administration contract, however, was no more than an attempt to reflect the overall yield of the insurance company's investments in the individual pension scheme. Furthermore, deposit administration tended to be generally

identified with a mechanism for enabling companies with insured pension funds to obtain the same tax treatment as companies with self-administered funds. The passing of the 1965 Finance Act did away with the tax anomaly that had previously existed in this field and for many people the Act was regarded as making deposit administration obsolete.

### Separate fund

The real breakthrough came at the end of the 1960s with the introduction of what is described as the "managed fund." Under this arrangement the assets representing a company's pension investments, or possibly a pool of company pension investments, were held in a separate fund so that both the interest income and capital gains could be ascertainable. With the rapid development of unit-linked life assurance it was inevitable that the question of adopting a unit base for a pension scheme should be given serious consideration. The managed fund Mark 2 is in fact based upon the unit principle, but with the trustees of the pension fund left free to decide each year how much would be invested in equity units, how much in property units and how much in fixed-interest units.

Arguments have been advanced against this development based on the view that if an insurance company is entrusted with the investment of a pension fund it should not be interfered with. This is perhaps a purist view in that a company with a self-administered fund can make all its investment decisions. It seems, therefore, a reasonable half-way solution to allow discretion as

regards investments in property, equities and fixed-interest securities.

The development of this unit-based pensions contract has been of major significance for large companies with pension schemes. They can measure the yield offered by an insurance contract based on the unit principle as against the investment performance of other financial institutions and participate in some of the broad decisions regarding the annual distribution as between equities, property and fixed interest. At the same time they can accept or reject each of the pensions services that are normally provided as part of a single package.

It is probable that the 1970s will see an extension of the unit principle to schemes for small- and medium-sized companies, a development that is likely to run in parallel with the gradual replacement of traditional "savings" type life assurance by unit-linked policies. This will, however, require an increased awareness on the part of the company operating the scheme that unit values can go down as well as up, particularly in the short term.

The investment guarantees that have been built into the traditional types of insured pension policy may well disappear from the scene in many company schemes. Where they are required they will have to be paid for at a realistic rate but this is inevitable and perhaps a desirable development in a period where the services provided by insurance companies are more and more being broken down into their constituent parts and charged for accordingly. You get what you pay for.

## Industry seeks charges increase

By JEFFREY BROWN

These days legislation is a word that has begun to feature prominently at most unit trust gatherings, and with good reason. For speculation among those directly concerned with fund managing is warming to the hope of concessions from the Government in two major areas directly affecting the industry's pocket.

One concerns fees (the cost of investment to the investor) and the other capital gains tax – the hope for fees being a straightforward increase in charges while on the gains tax front it is the possibility of unloading some of the administrative burden now borne by the fund groups. At present it is hard to be dogmatic on either subject, but available indications point to Government decisions perhaps not being so very far away.

Pointers suggest that the Board of Trade has been quietly talking around the industry, and that can be no bad thing given any set of circumstances. As a general rule though, apart from the thorny subject of management fees and gains tax liabilities, unit trust groups would seem to have few complaints over the way they are treated by legislation. Over the years the rules have been boned down into a fairly cohesive and coherent arrangement for the protection of the industry and of the investor.

### Watchdog trustee

The BoT, of course, has the final say, but each fund has a watchdog trustee who among other things keeps a tight rein on the sort of advertising that any one fund or fund group produces in order to attract in-

vestment. That is a particularly important part of a trustee's job but with the need to maintain rigid and unimpeachable standards few fund groups would argue with current practices.

What the fund industry does currently have strong feelings about is management charges. The present situation finds the registered funds able to charge 13.25 per cent. of funds over a period of 20 years, out of which a maximum initial levy of 5 per cent. may be implemented together with a corresponding annual charge on the value of the funds.

The point here is that the unit trust industry is now feeling the cost pinch, and in a fairly substantial way. The net inflow of new money into the industry is hovering around its lowest

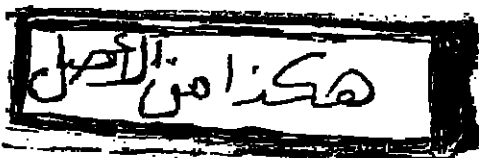
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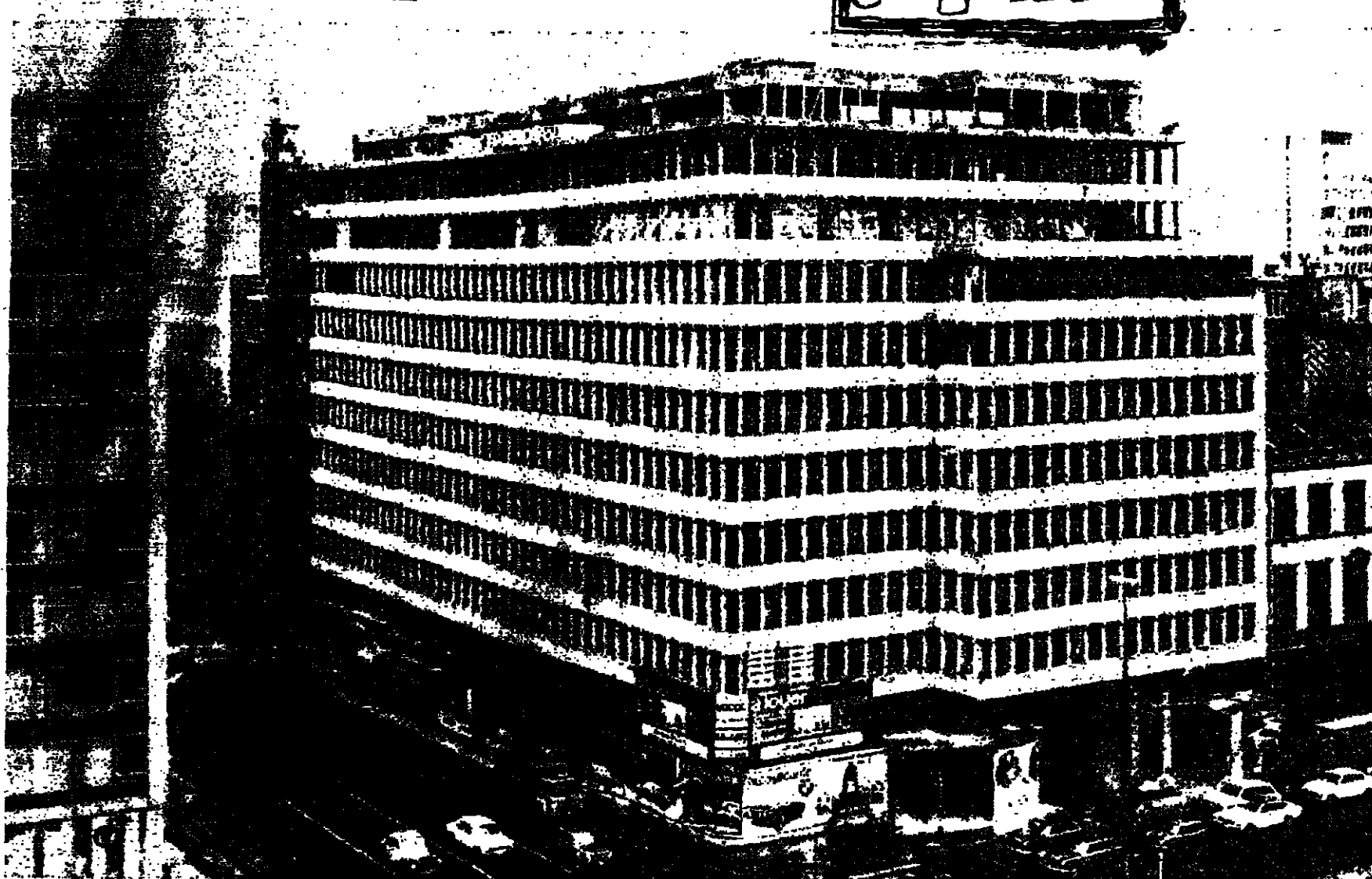
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# UNIT TRUSTS IX



An 11-storey office block developed by Taylor Woodrow Property Company's subsidiary, Taylor Woodrow (Arts/Loi) S.A. in Brussels.

## There is a lot to be said for investing in Europe

By PETER RIDDELL

As the date for Britain's entry into the EEC approaches, the unit trust industry, in common with the rest of the City, is beginning to work out the implications and possible benefits. To date little of substance has emerged but the opportunities offered are apparent enough, if only in contrast to the marked degree of insularity at present.

Thus there are only two authorised U.K. unit trusts which now specialise in Continental markets—the Trans Europe Investment Trust and Save and Prosper's European Growth Fund (formerly Cross Channel units). There are, however, several other funds with international portfolios, mainly in the U.S., Japan and Australia.

At the same time there has been little investment in U.K. unit trusts so far by EEC residents. In part this is a result of tax laws (notably withholding provisions) and exchange control regulations, but the IOS debacle has also been an important deterrent. In addition to the unfavourable publicity involved, some countries like West Germany, where IOS raised large sums of money, have subsequently passed legislation which has made it unattractive for outside mutual funds to operate there.

### Remove obstacles

EEC entry will, of course, remove many of these formal obstacles to investment, as capital movements will have to be freed in line with Community directives. Thus the investment dollar premium mechanism will be phased out and steps to dismantle the pool should probably begin soon after entry in 1973.

But this will still leave several important barriers to overcome—notably differences in accounting and valuation procedures. And here there are not only significant differences between the U.K. and the EEC but also between the Six themselves. Germany and Holland are in fact the only countries approaching the level that is normal in the U.K. following the 1967 Companies Act and subsequent accountants' recommendations.

### Accounting laws

In other EEC countries, accounting standards do seem to be inadequate in comparison with the U.K. in terms of both the information supplied in published accounts and the criteria applied in drawing up those items that are published. Consolidation of accounts is becoming more common, but true profits can still be distorted by inflated depreciation charges and hidden transfers to reserves.

Various international bodies, including the Community itself and the International Federation of Stock Exchanges, have been making progress in recent years in harmonising requirements by, for example, working towards a mutually valid ticket of international acceptability. (The Federation has incidentally produced a code embodying standards of good practice for mutual funds.) But there are still major differences and there are other types of problem in evaluating companies such as a two-tier tax system which limits the use of conventional U.K. yardsticks like price/earnings ratios.

But given that these barriers should eventually be reduced, will London emerge as the financial centre of the enlarged

Community, enabling the unit trust industry to attract savings from throughout Europe? The City is certainly confident enough at the prospect of entry as London appears relatively more skilled and sophisticated than other markets.

The key factor here for unit trusts is the different tradition and development of equity investment in the Six compared with the U.K. Thus the London stock market is far and away the strongest in Europe: at the end of 1970, for example, the entire capitalisation of the EEC markets was £38,200m, whereas the U.K. alone was valued at £29,600m. There are, in fact, fewer stocks quoted on the Continent since many companies are controlled by the state, banks or family-owned trusts. Only 50 companies in the EEC have equity capitalisations of over £100m, against 60 in the U.K. alone.

The background to these differences was identified in the Segre report of 1966, which pointed out that the preference of small savers for liquidity in their investments has meant that small savings have tended to be channelled to industry via savings banks and the like. In the absence of open and active stock markets investors have shunned equities and the lack of an efficient secondary market has discouraged institutional investment as well.

### Looks justified

Given all this the confidence of London looks justified and it is arguable that once the legal barriers are removed U.K. unit trusts could have considerable attractions for Continental investors. And while the potential in an enlarged market with accounting practice and dis-

closure and their shares should in most cases be very marketable. There is already one major case of investment from both inside and outside the EEC in a joint international project, namely the North Sea exploration by Petrofina.

But in the short-term at least greater opportunities would seem to lie in increased investment by U.K. unit trusts in the Europe. Judging by past events end of 1970, for example, the it would not be surprising to see several specialist European funds coming on to the scene if and when a public enthusiasm for entry develops. At present, most fund managers seem relatively ignorant about the detailed situation in European markets though the merchant banks, with their existing connections, appear best placed to remedy this deficiency.

### Risen strongly

There is, in fact, a lot to be said for investing in Europe at the moment as most of the main EEC stock markets, though influenced by similar inflationary and international trade pressures as the U.K., have remained comparatively depressed while our market has risen strongly. A good illustration of this is the sizeable price discrepancy between London and Amsterdam in the case of both Shell and Unilever.

Over the longer run the growth of international companies within the EEC, along with the lines of the Dunlop-Pirelli merger, should produce some attractive investment situations for unit trusts. Such companies will automatically have to conform to high standards of accounting practice and dis-

## Charges increase — (Cont'd)

Continued from previous page level for a decade. Against that, costs have edged upwards and many of the smaller fund groups are currently finding it hard to make ends meet.

What we have then is a strongish industry case for an increase in fees; a case perhaps for pushing the maximum charge up from 13.25 per cent. over 20 years to, say, 15 per cent. A second point is that many managers feel there is an equally strong case for telescoping the 20-year period into a less lengthy affair. Unit trust investing has for many become substantially more sophisticated since the twenty rule was first laid down—what with the growing trend to jobbing in and out of units on a less "long-term" orientated timescale.

The subject of management charges must inevitably raise the hoary old question of performance fees. These would certainly come to the aid of fund group financing (or at least of the successful groups) but the difficulties of implementation here are almost incalculable. The obvious dangers arise when, comparing different funds' performances, given the varying structure of the industry from outright growth units through specialisation to solid income.

When it comes to some form of exemption from capital gains tax the difficulties are

equally plain. For the Government it means an immediate loss of revenue, which rather tends to rule out (?) hopes of complete exemption. However, the present Government when fighting for election in 1970 hinted at some concessions for investment and unit trusts and the hints have since been endorsed by various ministerial speeches on the subject.

Needless to say, the Association of Unit Trust Managers has been forcefully lobbying for some exemption. What the industry is particularly hopeful about is a switch in the way gains tax is paid. At present the liability lies with the fund groups, which pass it on to the unitholder via a costly administrative process. The fund groups argue that the liability should be laid wholly at the door of the investor who should pay gains tax on the realisation of any investments.

### Some stimulus

The industry at large had great hopes of something along these lines emerging from the latest Budget, and in that respect there were plenty of long faces in the industry when nothing materialised. However, the April Budget was not the first place? In short, can not other more lucrative forms of investment be used as a channel for the investing public's funds?

market, has done much to witness the mushrooming growth of property bonds in recent years and the level of cash that a leader in the field like Abbey Life can attract (around £3m. net a month). Other alternatives run the full gamut of the art world from Picassos and Gainsboroughs to previous gems. The investment problem here though boils down to marketability, and that is a major difficulty.

Most fund groups agree that door-to-door direct selling could involve more problems than its intrinsic worth. The obvious point here is the sheer expense of maintaining an effective and acceptable squad of selling agents. Only the bigger groups could afford such practices, and even then it is a moot point whether any such outlets—given the public's present distaste for equities—would be able to pay their way.

Investor inertia as regards the Stock Market is graphically illustrated by the currently declining trends in sales of new units and in the high levels of re-purchases—the cashing-in of existing units. These trends lead to yet another obvious question, namely, should the fund groups stick to equities in the first place? In short, can not other more lucrative forms of investment be used as a channel for the investing public's funds?

The main competitor to saving trends, that promise equities is, of course, property, could be enhanced.

### Probably right

Like property, there is no quick get out if demand trends start to take a less lucrative turn. Unlike share prices there is no ready-made quick-sale option within easy telephone reach. Thus the investor willing to chance his cash with a not guaranteed but reasonable longish-term hope of outpacing inflation is probably right to stick with the equity market.

The Common Market looms large. There is a growing sophistication in world Stock Markets and world demand for investment continues to grow. As investment integration between nations takes place the outlook for the investing public would seem promising, while the scope for unit trusts is almost unlimited.

Given some encouragement from the Government, which after all must have a vested interest in promoting public interest in promoting public

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## UNIT TRUSTS X

# The advantages for the larger investor

By W. G. OATES, Marketing Manager, Hill Samuel Unit Trust Managers Limited

Although unit trusts originated 40 years ago it was only in 1962 that unit trust management companies began to cater specifically for the larger investor by launching trusts with a high minimum initial investment. Since then, this type of trust has enjoyed increasing popularity and at the end of December, 1970, there was some £145m. invested in unit trusts requiring a minimum £1,000 initial investment.

A fair amount is known about the sort of investor attracted to these unit trusts; he will invariably own his own home, have reasonable life assurance arrangements, pay income tax at the standard rate, often surtax as well, and his estate is probably liable to duty at 30 per cent. or more.

Because his investment in stocks and shares may be only one aspect of his personal financial affairs he has problems not experienced by the smaller investor. Often he needs to use several different investment mediums to achieve his investment and savings objectives: to obtain the greatest benefit a prudent deployment of his assets is required.

Before looking at unit trusts a brief consideration of the pros and cons of other investment media can show the merits of deployment or diversification. Now that the tax allowance on bank interest paid on general overdraft facilities is limited, it is more important than ever to have some funds available on instant call for emergency. Building societies and bank deposits are ideal for this purpose. However, both are subject to surtax and neither afford protection against the erosion of value from inflation. It is important therefore to keep such money at no more than the maximum level required for emergency.

### Little protection

National Savings can also provide fairly accessible funds and also often without any tax problems. Again, however, there is little protection to capital value in this age of inflation.

Insurance bonds of various types provide an answer to inflation and, although they can provide tax-free income on a withdrawal basis, an investor could be locked in until his tax situation is right for him to come out. Frequently an investor in bonds will find his income increases so that he must wait until retirement, when his income reduces, before coming

out of the bonds. This could be a problem on an estate duty planning exercise if cash is required.

This leaves only two other means of protection against inflation: property and stocks and shares.

### Home purchase

Property, on a long-term basis, is highly profitable but an initial large investment is required and problems arise with management and disposal. A reasonable property investment also means that one is placing rather a lot of eggs in one basket so that while home purchase is to be recommended, further property investment, unless there are considerable funds available to buy various types of property in different areas, could be hazardous. It is for this reason that property bonds can hold considerable attraction as they can give a spread of risk.

Finally there are Stock Exchange investments, where Ordinary shares in companies can provide a useful hedge against inflation and give greater opportunity for diversification and spread of risk than direct property investment. But there are problems. Considerable expertise is required in knowing which shares to select, when to buy and when to sell them. Most investors need the advice of a stockbroker though the pressures of rising costs have made it difficult for the stockbroker to monitor private client funds as often as he would like to do.

The larger investor is not necessarily faced with the same problem as the small investor in getting a balanced spread of shares, so essential in reducing the risk element. But especially with rising costs, it is difficult for him to obtain the advice and day-to-day management of his shareholdings which is so important in making the most from his investments.

Professional portfolio managers supervising investments on a day to day basis find the cost of dealing, maintaining

records and coping with all the paperwork is usually unprofitable unless each investment is of the order of between £2,500 and £4,000 in value. Since a spread of approximately 40 shares is desirable to obtain a spread of risk and a balanced portfolio, the minimum portfolio required is around £100,000. This is why few merchant banks offer portfolio management to people with less than £100,000 (many stipulate a £250,000 minimum).

This is where unit trusts come into their own. Take, for example, an investor with £20,000. He probably has 20 to 30 investments bringing him in between 40 and 60 dividends a year. Every time he buys and sells he has to make capital gains tax calculations. He has constant worries as to whether he is buying the right shares at the right time—and there is always the danger that he is missing investment opportunities or that a rights issue or merger scheme will involve one of his investments while he is away on holiday or abroad on business.

Were he to put all, or part, of his capital into unit trusts these problems would be considerably reduced. He can still achieve his own particular investment emphasis by using part of his funds to purchase reasonable sized holdings in a limited number of shares which he could then supervise more easily and be more likely to get frequent advice from his stockbroker.

As regards the performance of his unit trust investment, this naturally depends on which unit trust management group he has selected.

There is fairly constant comment on the performance of unit trusts and controversy as to how to measure it effectively. The problem is to compare like with like. No single index can provide a yardstick for all unit trusts. To say that only 40 out of some 280 unit trusts have beaten the Financial Times All-Share Index is taking a short-term view and stocks and shares are essentially a long-term investment.

In fact, at the end of June, 1971, less than 100 unit trusts had been in existence for more than five years and only about 10 per cent. of these had failed to beat the Financial Times Industrial Ordinary Shares Index over that period. Two of them have been invested in fixed interest stocks, and six have been part of a group which has undergone constant management changes.

The All-Share Index is far more difficult to beat and only about 10 per cent. of all unit trusts have achieved this over the long term. Save and Prosper, M & G, Ebor, Allied Hambro and Hill Samuel are among those unit trust management groups who have at least two trusts in this category over a five to eight-year period.

**Performance tables**  
The wise investor should select a management group which has one or two of their trusts with a long-term record of outperforming the All-Share Index and whose other trusts appear consistently in the top 50 performance tables over a period of two to three years.

This method of selection does omit some of the newer management companies with considerable reputation for investment expertise and it also ignores the possible change of management over the years. However, investment management of unit trusts with its gains tax, non-gearing unfranked income and liquidity problems does call for a different management investment approach. Selecting from groups who have proved their ability therefore has its merits.

Do unit trusts have any drawbacks for the larger investor? One point may be that since they are managed for people with corporate investment objectives, capital growth, overseas, or commodity investments for example, the individual cannot obtain a tailor-made portfolio to meet his own precise objectives.

Nevertheless, unit trusts do provide a first-class service to the larger investor by eliminating many of the investment headaches and paperwork. They also offer an exceptional long-term investment opportunity to achieve investment growth and also beat inflation as is illustrated by the accompanying figures taken over a five-year period ending August 31, 1971.

Five years to August 31, 1971

FT All Share Index (average of 621 shares) ...	+99.3%
Unitholders Index* (average of all unit trusts)	+78.4%
FT Ordinary Share Index (30 selected Ordinary Shares)	+35.9%
Inflation based on General Index of Retail Prices	+32.4%

\* The Unitholder Index is an average of the growth of all unit trusts which is published monthly by Money Management and Unitholder.

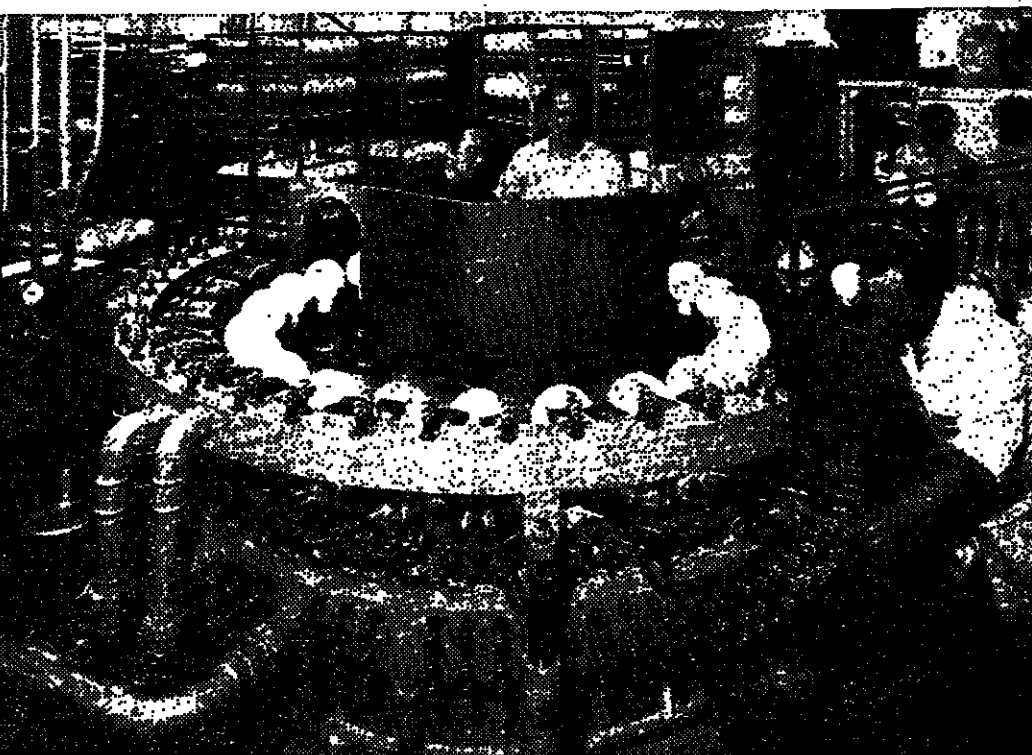


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Mr. W. G. Oates of Hill Samuel Unit Trust Managers Ltd.

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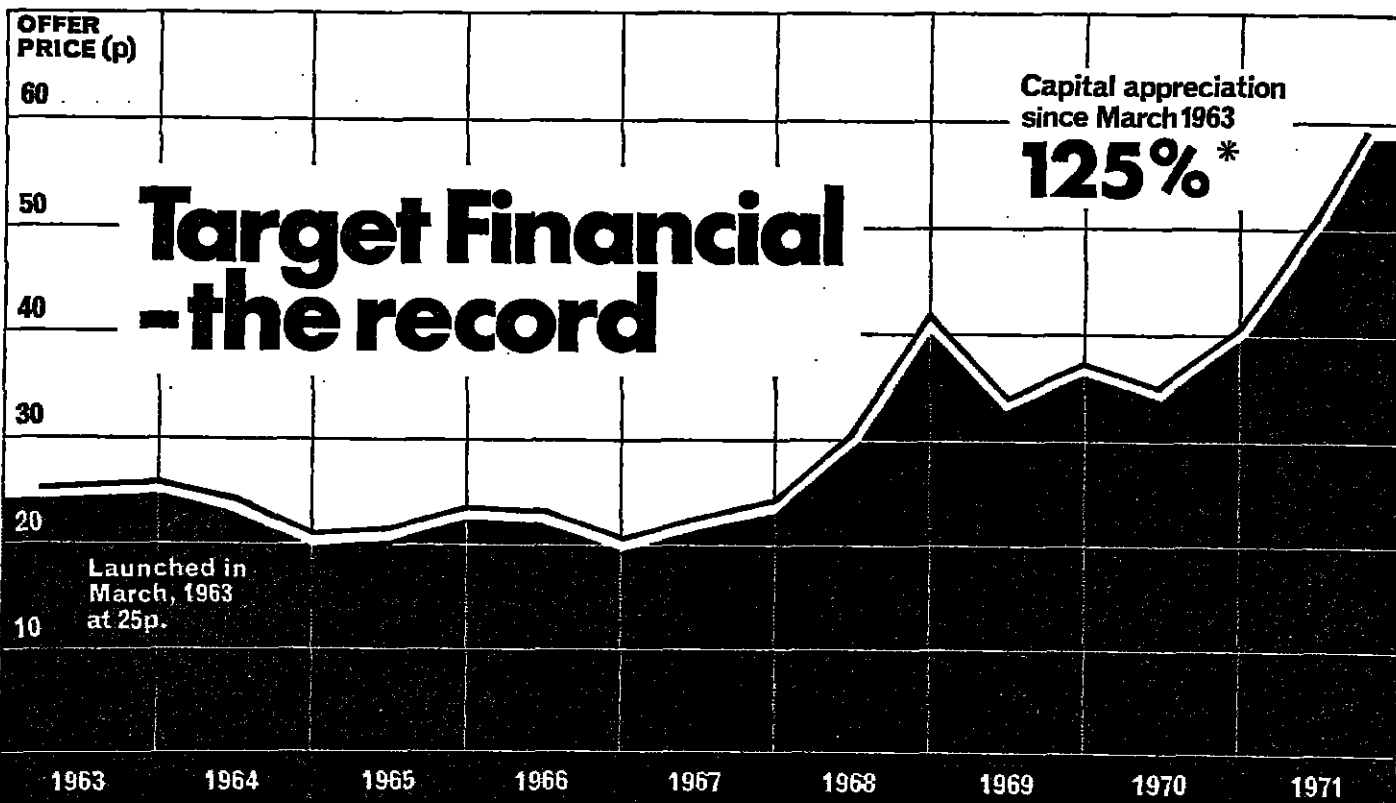
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## UNIT TRUSTS XI

# Limited initiatives so far in the company field

By BARRY RILEY

To the question of whether the unit trusts see themselves as a pressure group exerting an influence on company management to improve standards of business efficiency and conduct the straight answer is no. The men who run unit trusts think of themselves primarily as investors, producing such a performance of their portfolios as they can by the scale and timing of their purchases and sales. On the other hand, an industry as large as this—unit trusts now manage funds of some £1,800m.—can hardly abdicate all responsibility towards the discretionary use of the power which their position necessarily gives them. Thus the trend towards greater institutional initiative in the field of company-shareholder relations has

not passed the unit trust movement by. If the unit trusts sometimes seem to lag in this direction compared with other types of funds, one answer could lie in the typical managerial set-up of unit trusts. Very often the managers are part of a wider financial grouping involving, perhaps, banking and insurance; this makes it hard to get involved in a delicate or controversial initiative without fears, real or otherwise, of a conflict of interests.

## Room to manoeuvre

Moreover the unit trusts would take the line that the remedy for a dull investment is to get rid of it, and most of them are small and manoeuvrable enough to do so (provided, of course, they are quick enough on the uptake). Many pension or insurance funds, however, are large and ponderous and may feel that long-term problems require a more direct approach. To take the classic example, Prudential Assurance is simply too big to achieve its investment objectives by a wheeling and dealing approach.

Perhaps the best-documented example of the tougher attitude by the Pru is the Vickers affair—the move in conjunction with other big institutions to shake up the management at the all-England engineering group. That approach last year succeeded in bringing about changes at Vickers, though it has done nothing so far for the share price. And the fact that another prominent member of the group

of institutions was Hill Samuel, the merchant bankers, does introduce a unit trust connection. Hill Samuel, after all, runs unit trusts with funds of over £80m. Yet there are too many other factors involved to count this as a straightforward unit trust initiative—though clearly any Vickers shares held in the unit trust portfolios made the position of HS that much more powerful.

## Rescue operation

Another case involving the Prudential, and this time Robert Fleming, managers of the £400m-plus funds of the Save and Prosper group, was the rescue operation in mid-1970 organised to keep Aberdeen Holdings afloat. The Pru and Fleming put up £1.25m, between them, but here again the latter,

with plenty of other irons in the fire besides S and P, was wearing too many different hats for this to be ranked as a unit trust intervention.

However, one recent instance of a unit trust group deciding to take a public stand in a management situation was the battle at the S and K Holdings annual meeting last July when the M and G group led opposition to the Board's plan to change the company's auditors. The Board easily won the day, but despite what it knew beforehand was almost certain defeat M and G decided to speak up over what it saw as a matter of principle.

The drawback to speaking up, however, is that there can be murmurs in the market of the "sell out or shut up" variety: there has been a certain amount of comment about M and G's decision to hold on to the S and K shares after it was outvoted. On performance grounds, however, M and G is certainly justified—the shares have moved up fast in recent months.

In cases where a company's quotation is suspended, of course, the option is no longer there. Here the unit trusts, among other institutions, have to organise themselves—together, it may be, with ginger groups of private shareholders—if they think their interests are not being properly recognised. This is what happened with Blanes, whose quotation was suspended a year ago; proposals by the Board to put the group into voluntary liquidation then followed.

The payout to Blanes' shareholders from liquidation would have been tiny, so institutional holders moved into action: they included unit trusts groups like Tyndall (whose funds are managed by Warburgs) and, once again, M and G. After a lengthy row, the Board was defeated at an extraordinary meeting in April, and the institutions nominated new directors to replace the old Board, which resigned in its entirety.

Such spectacular cases are naturally rare, but behind the scenes pressure when a company goes seriously off the rails is probably quite common. Needless to say there has been great

concern over the Pergamon Press affair, but after more than two years there is still little sign of shareholders getting their quote back.

Unit trusts can get on to more contentious ground when they become closely involved with takeover bids, perhaps mounted by the parent of the management company or by an associate within the same group. The trusts could then be used to build up a strategic holding in a victim company ahead of a bid. It is hard to find bids where unit trust holdings have been critical to success, but obviously the structure of groups like Jessel Securities and Slater Walker makes it inevitable that their unit trusts will get caught up in the takeover operations of the parent companies.

## Similar lines

Generally, in fact, the unit trust analysts operate independently. But the recent block offer by the Slater Walker Assets trust, which bases its attractions on spotting takeover or similar situations, implies that it and the parent company (with its claimed "expertise" in assets situations) will at least be thinking along similar lines.

The most useful contacts between unit trusts and company managements are unlikely to reach the attention of the general public. Such contacts may relate to fairly mundane problems, like the design of an executive incentive scheme, but are none the less valuable for that. Institutional shareholders can be an effective sounding board to test City reaction to a proposed move, and so avoid the possibility of a public row, of which the National Association of Pension Funds' recent opposition to BTR Leyland's incentive scheme was a recent example.

Usually discussion is confined to an unofficial network of fund managers, rather than going through any organisation. In such matters the accent is very much on the confidential approach: a quiet chat is one thing, but formal discussion—probably involving information not widely released to shareholders at large—is quite another.

# International money via the Euromarkets

By WILLIAM F. LOW

EVER SINCE the Eurodollar market emerged during the latter half of the 1960s as the largest money market outside the U.S., it was inevitable that there would be moves to control it. Central bankers and politicians engaged in the fight against rising inflation often found it convenient to blame the Eurodollar as the main source of their troubles. Regulate the "Frankenstein Monster," so the argument ran, and the problems would disappear.

Opponents of the "freest of international financial markets" seized their opportunity during the crisis of last May, when huge flows of "hot" money—most of it channelled through the Eurodollar market—forced the West German authorities to allow the Mark to float. Shortly afterwards, the major central banks decided not to make further official deposits in the Eurodollar market and, in certain circumstances, even to withdraw funds.

## Curious affair

Central bankers, much to their chagrin, discovered that they themselves were responsible for much of the "unhealthy" growth of the Eurodollar pool. This curious state of affairs arose through central banks depositing some of their surplus dollars in the Eurodollar market through the

Bank for International Settlements (BIS). These funds, which were borrowed by companies, eventually were sold back to the central banks, some of which again redeposited the dollars back in the market.

The central banks' regulatory action, which appears to have achieved only limited success, was the first time that a concerted international move against the Eurodollar market had been taken. However, the market has been subject to a large measure of control imposed by national Governments for several years. The authorities in various countries have instructed, from time to time, local banks to limit their Eurodollar holdings and have also restricted Eurodollar borrowings by companies. A prime example of the latter form of regulation is the Bank of England decision at the beginning of this year whereby companies were forbidden to borrow Eurodollars for domestic use for periods of less than five years.

Despite the variety of restrictions already applied to the Eurodollar sector, strong pressure is still being exerted to introduce more controls. The aim of these "anti-Eurodollar" bankers and politicians appears to be the establishment of a central authority to regulate the market. Quite apart from the immense difficulties involved in co-ordinating the often-conflicting policies of different countries, there are other sound reasons why supranational control is not welcomed.

No less a figure than the Governor of the Bank of England, Sir Leslie O'Brien, has come out against blanket control. In view of the benefits that the Eurodollar market has produced, the world would lose if "vague fears" of undefined dangers resulted in "clumsy regulations" that again would carve up the world into "bureaucratically controlled fiefdoms" without free access to an efficient system of distributing capital funds from everywhere to everywhere. Dr. Machlup forecast. This is an argument which commands strong support in pro-Eurodollar circles.

Another and, perhaps, more valid reason for seeking tighter supervision of the Eurodollar market is the danger of a default by a borrower. The Financial Times Euro-market Letter has estimated that as much as \$10,000m. was raised for periods of between two and seven years last year, and there is every indication that this year's total will be about the same.

Of course, Sir Leslie has good reason to plead so eloquently for the preservation of the market in its current form. London is the undisputed centre of the Eurodollar market, this position bringing to the City not only considerable prestige, but also definite financial benefits. However, the Governor's self-interest should not be allowed to obscure the fact that as one

of the very few people who actually knows how the market operates, he believes that controls are not the answer. Another voice to be raised against indiscriminate supervision is that of Dr. Fritz Machlup, of Princeton University. Regulation of the Eurodollar market he warned, could lead to "terrible blunders."

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## Syndicated basis

Most of these medium-term Eurodollar loans are arranged on a syndicated basis. This means that a bank or group of banks will form a syndicate of as many as 50 banks to put up the sum required by the borrower: the size of these credits varies between \$20m. and \$300m., with \$100m. fairly common. The banks involved should, of course, satisfy themselves that the borrower will be able to repay the principal and interest on the appointed dates. Some commercial bankers, however, have expressed fears that lending practices in the medium-term sector are not as sound as they should be.

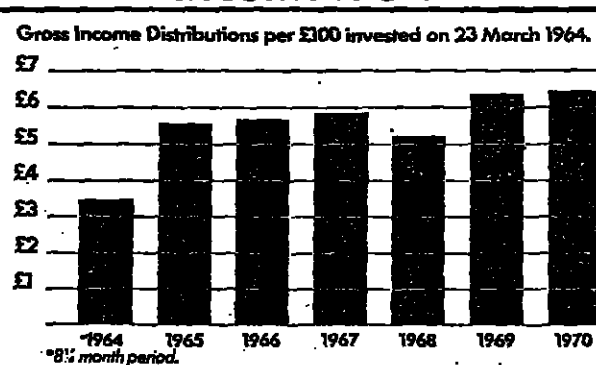
Earlier this year, John Place, then vice chairman of Chase Manhattan Bank, criticised in forthright terms the growth of a number of questionable lending practices in the Eurodollar market. Among the points he made was one concerning the "significantly" different policy being adopted by American banks to their Eurodollar portfolios, compared with their domestic lending activities. Because a transaction was denominated in Eurodollars, Place maintained, some bankers would extend terms they would shun at home unless there were proper covenants.

Some bankers have suggested that the leading banks involved in the Eurodollar market should set up their own control body, rather than have governments force supervision upon them. Self control, it is argued, would be more effective than a committee of bureaucrats tying up the market in red tape.

Whether bankers like it or not, the Eurodollar market is certain to come under increased scrutiny from interested parties. Instead of merely protesting, Eurodollar bankers should start taking steps to ensure that the would-be controllers do not find excuses to justify their action.

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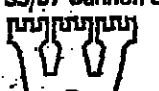
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# Investment trusts continue to enjoy a high level of confidence

By E. G. LIBBY, Norris Oakley Richardson and Glover

The investment trust movement is now passing into its second century and as befits maturity the companies are well managed, have shown the ability of maintaining continuity of management and are highly regarded by the public. An investment trust provides a moderately geared-up method of obtaining an interest in a managed portfolio subject to continual supervision. Insofar as there are drawbacks or criticisms these relate to the well known discount on asset value and whether managements are adventurous enough, given their secure base.

Trust company stocks nowadays are freely marketable in the sense that transactions can almost always be arranged at a price. However, the fact that the price is determined by supply and demand means that it is unlikely to coincide with

## Sharp narrowing

Over long periods investment trust equities have handsomely out-performed the market aided by their geographical spread and gearing. In the period from 1945 to 1961 this was reinforced

by a sharp narrowing of discounts. It is likely, in future, that investment trusts, due to very much reduced gearing will move more in line with the market as a whole or at times inevitably lag behind. This last point is worth making, in view of the disappointing performance this year which can be demonstrated by the relative performance of the F.T. Actuaries Ordinary and Investment Trust Indices.

In fairness it must be pointed out that investment trust portfolios, with their international spread have suffered from the unusual situation of a strong U.K. market and weakness in almost all other world markets. The steady decline in the dollar premium has also been a contributory factor although in buoyant markets it is disappointing that a reduction in the discount on asset value has not

taken up the slack and that portfolios as a whole have not performed better in relation to the relative indices.

From a management point of view it is an advantage to have a closed end fund in a bear market and no doubt unit trusts have been inhibited by liquidity requirements. On the other hand investment trusts suffer from their gearing in a falling market and some liquidity may be necessary to nullify the effects of a geared capital structure. However, there are less tensions in liquidity induced by performance considerations than by involuntary liquidity. Possibly investment trusts should take greater advantage of their fixed structure by investing more in less readily realisable securities such as unquoted securities or property. Where this has occurred there has been no lack of investor enthusiasm for the companies.

methods are that an ideal capital raising operation should have as wide investor appeal as possible and the security should be easily understood. Insofar as these canons have been violated many of the methods used cannot be repeated indefinitely. Possibly the most interesting development, as in other markets, has been the use of Warrants and it would seem that investment trusts are particularly suitable for this instrument.

In view of the similarity of aims of investment trusts and unit trusts, it is not surprising that there have been attempts at synthesis over the years. In the early days of the unit trust movement, investment trust units were formed with the sole object of investing in investment trusts. There have been many other such unit trusts formed over the years.

## Asset value

Where investment trusts have particularly scored in recent times is in their ability to raise money. In order to do this when discounts on asset value are almost universal and savings media out of favour, it has been necessary to employ unusual methods. The drawback to such

The formation of two split capital investment trusts to hold unit trusts this year are the latest attempt at synthesis. These companies are probably the ultimate in split capital trusts as by their nature the asset value can be readily determined and the dilemma of capital appreciation versus income has been removed from the managers.

## Specialist sector

The appeal of split capital trusts is restricted to a specialist sector of the market and thus the amount of money that can be raised by this means is limited. Perhaps with easier money conditions and the ability to raise prior charge capital an attempt will be made to form a conventional investment trust to hold unit trusts and certainly an immediately accessible asset

value would appeal to many investors. This could be a test bed to see how far a readily calculable asset value will eliminate the discount.

To look to the future it seems likely that investment trusts will develop in two separate directions. Some companies will continue in their traditional role of providing a wide spread of investments. There will be an increasing demand from these companies for greater shareholder services such as dividend reinvestment plans and a more frequently available asset value. Others will use their secure base to underpin entrepreneurial activities and much larger positions will be taken in the portfolio. It is the desire to create the latter type of company that has given rise to the recent spate of takeovers among the smaller trust companies.

# Development of unit-linked business

By KEITH LEWIS

Unit-linked life assurance has one way or another last year been growing in popularity by leaps and bounds over the past decade, with property bonds taking up the front running in recent times following the fall due mainly to the staggering from grace of equity investment. No absolutely accurate figures are available to show just what slice unit-linked business takes of the whole life assurance cake, but it was estimated recently that at the close of 1970 the total number of contracts in force was over 500,000.

Approximately 15 per cent. of all new annual premium business in 1970 was unit-linked and 30 per cent. of all single premium business. Abbey Life Assurance, the largest property bond operator, estimates that £25m. worth of annual premium policies were linked to units in fixed interest. The proportions

in each type of asset vary at any given time, according to the various investment conditions.

## Established part

Property bonds are becoming more sophisticated all the time and have now become an established part of the investment scene. Nearly every scheme now has some form of cash facility backing the fund in the event of a run of redemptions and the appointment of independent bodies to act as custodians and to give independent valuations of the portfolio are now standard features. Withdrawal schemes have been developed in most cases, which allow the bondholder to take a regular income without necessarily disturbing the capital sum. There has also been a

more recent tendency to offer some form of guarantee for long-term investors.

The unit linked principle is being applied more and more all the time. We are now seeing property-linked annuities—equities are deemed unsuitable because of the volatile nature of Ordinary shares. Pension plans linked to units are another rapidly expanding business, and there are also property bond and unit trust links with building society accounts. The permutations of the principle appear to be unending.

However, there is something of a shadow being cast over this particular branch of the life assurance industry at the moment by the formation of the Scott Committee. The actual terms of reference are as

follows: To consider the workings of the Insurance Company Acts 1958-67 and the Prevention of Fraud (Investments) Act 1958, in so far as the latter is relevant, in the light of life assurance schemes involving the issue of equity linked policies, property bonds and similar schemes, and to advise on the adequacy of the protection afforded by these Acts to policyholders in these schemes.

## Critical view

There is no doubt in most observers' minds that one of the main reasons why this committee was formed was the constant criticism of the property bond at present only operate under acting as a sort of deterrent on the public.

evidence submitted to the Committee by the major groups has been published, and the variety of views put forward has been surprisingly wide. The industry is, in fact, divided into the traditional camp—which has been selling life assurance for a great many years without any trouble—and the newer groups which invariably sell unit linked business almost exclusively. Beyond this neat division there are numerous smaller camps, but by and large it is the older groups who feel they have proved over the years that they can conduct their business properly without outside interference, and the post 1967 Insurance Act officers who can at present only operate under the strictest surveillance and want this to apply to everyone. One of the chief areas of

anxiety is that of sales methods. Aggressive sales forces, advertisements making boastful claims and containing misleading graphs, and the methods through which salesmen are remunerated have all come under fire. A weak point is that while the companies themselves may watch these factors closely the insurance brokers often have their own men in the field who may not be so strictly monitored. The committee's brief would not appear to cover this.

## Central argument

The central argument of the Council of the Stock Exchange's memorandum was certainly on dangers of current selling methods and the Institute of Chartered Accountants went as

far as to suggest that direct selling forces should be prohibited and that coupon advertisements should be restricted. Opinions vary considerably as to the correct treatment of policyholders' funds. Under existing laws the life assurance company is not obliged to disclose how its assets are invested. As one major group pointed out recently, the assets under management could, in theory, be used legally to mount a takeover bid for a public company. Doubtless these problem areas, and the many others raised, will be tightened up in due course. Whether or not the Committee will stick to its brief or go beyond—as opinion suggests—remains to be seen, but there is no doubt that the setting up of this inquiry is not before time.

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# A £20m. market on the ski slopes

Arthur Sandles looks into the burgeoning winter sports holiday business

IT IS ONLY during the past five years or so that winter sports have been a "posh" holiday business. In days past, enthusiastic skiers would pile into special trains and drink and dance their way to the slopes of Austria and Switzerland, the carriages full of school-teachers and AWOOL bank-clerks. Times have changed. This year the British will spend at least £10m. on winter sports accommodation and transportation and perhaps another £5m. will be spent on wining and dining in the resorts. A further £2m.-£3m. may well be spent on equipment and clothing before the departure.

## Ski-trains

The ski-trains could well be a feature of the past. Europe's railways, this year presented their bills for charter trains to the tour operators at rates which made it generally more economic and certainly more convenient to use aircraft. The enthusiastic specialists who headed for Norway and the Tyrol and the well-heeled jet-set that once made for Mégeve and the Swiss mountains have now been joined by typists and large numbers of school parties. The specialist houses of Inghams, Ski Plan and Erna Low now face competition from Clarksons, Global, Lunn Poly, Swans and Cooks among others.

Winter sports is not an obvious market for the big operators to move in on—margins tend to be slim and the work complicated. Austrian hotels—and Austria has cornered the winter market in Europe—have grabbed the summer package tour business—aren't keen to enter into block booking deals with anyone. "I try to get 100

rooms in a resort," says one operator, "and I find that I can only have 10 rooms in one hotel. I set my rooms, but they are all over the place. It makes administration very expensive."

For that reason the big tour operators have been cautious in their efforts to take the market away from the specialist houses. Clarksons is a relatively new entrant. Horizon is having its first attempt this year, and Cosmo says it will be going into the business "not before 1973, and then only when we find the right man to run it for us."

These three are all in the top five. Thomson Skitours has yet to show any inclination to venture into the icy world of winter sports and Sunair (Comard/Trafalgar) has only come into it through the purchase of Lunn Poly.

It is difficult to judge just how many people from the U.K. go skiing. Although some estimates put the figure as high as 350,000, this is difficult to justify. At the moment the market is probably around 250,000. According to a Swans (Diners Club) survey of customers last year, at least 16 per cent of these are in no way interested in outdoor sports.

To this was added the fact that a high proportion of the remainder put the first attraction of winter snow holidays as the break and "getting away to fresh air." It is for that reason that the modern sports brochure places little emphasis on the skiing itself. Clarksons and Inghams and Ski Plan have maps of the ski-runs in the various resorts, but these are unimpressive. Horizon has a table of ski areas, but these are unimpressive. Horizon has a table of ski areas, but these are unimpressive.

The real emphasis of the modern winter sports holiday is on the apres ski. Mr. Harry Steinke, formerly of Lunn Poly and now operator, "and I find that I can only have 10 rooms in one hotel. I set my rooms, but they are all over the place. It makes administration very expensive."

This is where the expense and organisation really begins to mount. Swans offers "Ski Fun holidays." The Court Line subsidiary Marston Small, which is now trading under the name of Halcyon Skiing, offers cordon blue cooking in chalets by detachable "Munbirds." Lunn Poly offers nightly entertainment from bowling to fondue parties and floodlit toboggan races.

In fact the queues at some of the lifts in the more popular resorts, particularly at Christmas, week-ends, and at Easter, might take a little of the fun out of things. But the thought is there.

Impact

The big cloud hanging over the winter sports business at the moment is the very real impact of "winter sunshine" holidays. For a long time if someone wanted to take a winter holiday and could not afford a long-haul trip to the Caribbean or South Africa, the obvious destination was the Alps. During the past couple of years this has not been the case. Now the tour operators have pricing freedom for winter sunshine holidays (it does not extend to winter sports holidays) the traffic to Majorca and the Costa Brava between October and May has substantially increased. The tourist to day has a choice between the beach in Arenal and the slopes at Mayrhofen, with Arenal coming out slightly cheaper. It traffic.

Swans, for example, aims at a much lower-priced market than Inghams, a Swiss-owned company with a name closely identified with specialisation in winter holidays. At the same time many operators, like Erna Low and Ski Plan, carry large numbers of school parties, which is low mark-up, high turnover traffic in which the operator has an eye not only on immediate returns but also on future business when the kids start travelling independently.

They have been only marginally less effective in clothing, where the competition has been stronger—only one British manufacturer, Harris-Meyer, has really bitten deep into Continental domination of the long.

Tradition

But as demand builds up, what of supply? There is little doubt that Austria will have to be careful if it is to retain its pre-eminent position. Many of the more popular Austrian resorts are now very crowded and some U.K. operators are growing irritated by the attitudes of Austrian hoteliers who know they are in a seller's market. Even the old tradition that only the British ski in January is being shaken slightly by an increasing inclination for the Germans to do the same. The big British operators are countering to some extent by indulging in year-round hotel reservations—

"We'll sell your hotel in the summer provided we can have rooms in the winter"—but the negotiations tend to be hard and must yearn for a little sunshine.

Expensive

Watching on the sidelines are the French and the Spanish. The French have never, up to now, been involved in the package tour ski market, and have long been regarded as expensive. Now, however, French resorts are popping up in the brochures. In the past couple of years there have been a number of speculative resorts constructed in France such as Flaine and Le Corbier, all of which are keen for U.K. package tourists.

The same can be said of the Spanish resorts, notably Fornigal and the Sierra Nevada, where the mountain hoteliers are eager to repeat the success of their seaside resort colleagues in attracting the British in droves.

All in all the future seems quite bright for skiing, but the problems involved in transportation, accommodation, the arranging of evening entertainment and the provision of equipment for hire make it a complex and not always profitable operation for the organiser.

There are constant rumours, constantly denied, that the big operators will pull out and leave it to the Inghams, Erna Low and Ski-Plans of this world. For the moment it seems unlikely, but the pressure on prices and the fight for beds in Austria, is likely to make the going difficult over the next couple of years. There are times when the most ardent winter sports operator must yearn for a little sunshine.



Mr. Llew Morgan, head of Clarksons' winter sports division.

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## Labour News

### Miners' ban may cut output up to 20%

BY ROY ROGERS, LABOUR STAFF

COAL production is likely to be cut by between 15 and 20 per cent from 15.5 million tons a day, as first hit by the ban on overtime work in support of their claim for pay increases of up to 47 per cent.

However, with coal stocks standing at more than 35m. tons it will take many weeks for the effects of the ban to be felt by either commercial or domestic coal users.

Reserve

Two weeks ago the National Coal Board's major customers held some 23.2m. tons of coal while the NCB held a further 10.4m. tons in reserve; weekly production is currently running at about 2.8m. tons.

Stocks were 26.8m. a year ago when more than 100,000 NUM members took unofficial strike action in support of a pay claim after failing to achieve the required two-thirds majority for an official stoppage. A ballot showed 551 per cent in favour of strike action.

The NUM executive feels it may have to take strike action this year, and is to ballot members later this month asking them whether they approve if the executive thinks it necessary. A similar poll to last year's would leave the way clear for official strike action since the NUM's annual conference earlier this year reduced from two-thirds to 55 per cent the required majority.

In the unlikely event of a national strike—regional stop-

pages are more likely—the steel industry would probably be the first hit. It is understood to have sufficient fuel to last about three weeks while the Central Electricity Generating Board, with more than 16m. tons, should be able to last out for nine weeks before any effects are felt.

Pay talks broke down several weeks ago after the NCB offered increases of £1.50 a week for surface workers and £1.75 a week for underground workers (averaging about 7.1 per cent.) in reply to claims of up to 59 a week.

In percentage terms the miners' offer is similar to those rejected by unions representing local government and hospital manual workers which have provoked charges of a "sinister conspiracy" by the Government to peg wages in the public sector.

Merit

Mr. Alan Fisher, general secretary of the National Union of Public Employees, claimed in Birmingham over the week-end that the local government and hospital workers were related to the merit of the claims.

The "sinister conspiracy" allegation came from Mr. Bernard Dix, NUPE's national research officer. Speaking at Swansea, he said that "in secret, behind tightly closed doors," the Government and public sector employers meet regularly to agree on tactics designed to peg down pay increases.

Jobless: "Cut overtime"

BY ALEX HENDRY, LABOUR REPORTER

UNION LEADERS promised here to-day to consider a shop floor demand that they should operate an overtime work permit scheme in areas of high unemployment.

Mr. Bill Wright, a delegate to the Electrical and Plumbing Trades Union conference, said: "We cannot tolerate the situation where some men are thrown on the dole, while others, who are permitted to work around the clock."

His demand for control of overtime working is in line with that being promoted by other trade union groups who have become increasingly anxious about high unemployment. But he agreed to remit his motion when Mr. Jim McKernan, an EPTU executive member, said the union's leaders were already discussing the possibility of getting employers and other unions to agree to an overtime cutback.

The conference also set out conditions—Government

## DTI aerospace study to take a wider view

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE study now being carried out inside the Department of Trade and Industry into the future of the aerospace industry is of a wider nature than has hitherto been supposed.

One of its main aims is to look at the possibilities of U.K. aerospace companies either merging with each other or with companies on the Continent, to provide stronger units.

Existence of the study, which is being carried out under Sir Robert Marshall, Secretary (Industry), was first revealed some weeks ago.

It is basically aimed at the organisational aspects of the industry, and is not primarily engaged in determining what kind of projects the industry ought to undertake over the next decade—although it will not ignore these since much of the industry's future shape is likely to be determined by the kind of aircraft it builds and vice versa.

It is known, however, that not only the Society of British Aerospace Companies but also individual companies and leaders of the industry have put in evidence and memoranda for the Departmental study.

Significant

Because the study is internal, it is not expected to be published in full after it is presented to Mr. John Davies, Secretary of State for Trade and Industry, around the end of this year. But it seems likely that, because of its significance, at least the salient points in it will be made known to the industry.

Fundamentally, it appears that what Sir Robert is being asked to do is look ahead over the next 10 years, and try to determine which direction the industry

ought to take, and what structure it ought to have to enable it best to contribute to the economy.

Sir Robert will be asked to say whether he thinks a merger of the British Aircraft Corporation and Hawker Siddeley Aviation is either necessary or desirable, or whether it might be preferable to keep these two organisations separate, with a view eventually to linking them with Continental aerospace companies.

The latter, it is argued, would ensure the survival of competing aerospace companies in Britain while at the same time ensuring that stronger links with the Continent were developed.

But it is recognised that such major links with the Continent might be difficult to achieve, in the present state of both international law and the varying nature of ownership of Continental aerospace companies—some are nationalised, others not.

Guidelines

Accordingly, the development of major international aerospace companies is seen as a long-term matter. For the immediate future, the question to be answered is the more direct one of whether any kind of merger at home would solve any of the industry's problems, or worsen them.

Whatever the conclusions of Sir Robert Marshall's study, they will serve only as guidelines for the Government in framing its future aerospace policy. Many other factors will have to be taken into account also—for example, the success or otherwise of the existing collaborative programmes, such as Concorde and the Multi-Role Combat Aircraft.

But what the study is primarily intended to do is to fill the large gap—that has existed hitherto in Whitehall through the lack of any co-ordinated policy towards the aerospace industry, taking account not only of projects, but also "the industry's structure."

Iran discusses dollar losses with oil group

BY OUR OWN CORRESPONDENT

TEHRAN, Oct. 31.

IRAN and the Western consortium of Iranian Oil Participants (IROP) began exploratory talks at the weekend on compensation for losses incurred by the August 15 de facto devaluation of the U.S. dollar. They are to meet again on November 8 for further discussions.

The six-man Consortium team, led by Mr. George Piercy, of Standard Oil of New Jersey, Texaco's Mr. Al de Vrane, Mr. Jack Simmons, of Atlantic Richfield and BP's Mr. John Sutcliffe, left Tehran late last night after three hours of talks with Mr. Jamshid Amouzegar, Finance Minister, and the two-man Iranian team.

Higher prices

A source close to the Western companies described yesterday's talks as "purely exploratory," "free-ranging and relaxed discussions." He said no definite proposals had been made, and the confrontations, if any, would come only after the international monetary situation had been settled.

Iran's dollar losses since August are unofficially estimated here at \$40m. (£18.06m.). This is the figure believed to have been discussed at the weekend meeting. The compensation is expected to be made through higher posted prices.

Iran is the first Gulf producer to open talks with the Western majors following the Beirut OPEC meeting in late September. Two senior observers, Mr. Jaidah, from Abu Dhabi, and Mr. Otalab, from Qatar, were present yesterday to see how Iran fared. The Gulf producers are expected to follow Iran's lead, as was the case in the Tehran oil talks earlier this year.

OPEC resolutions

Yesterday's talks centred around OPEC Resolutions 122 and 140. Resolution 122, approved last December in Caracas, refers simply to "changes in the parity of monies."

Resolution 140, passed by the 11 OPEC members in Beirut last June, states that member countries "shall take necessary action and/or shall establish negotiations individually or in groups" with the oil companies with a view to "adopting" ways to offset "any adverse effect on the member countries."

This latest round of talks comes just eight months after the OPEC victories in Tehran and Tripoli which substantially increased oil revenues.

## Channel ferries halted again

BRITISH RAIL cross-Channel ferries were halted again yesterday after a walk-off by seamen involved in a manning dispute. French services were also stopped because of a strike by ships' officers.

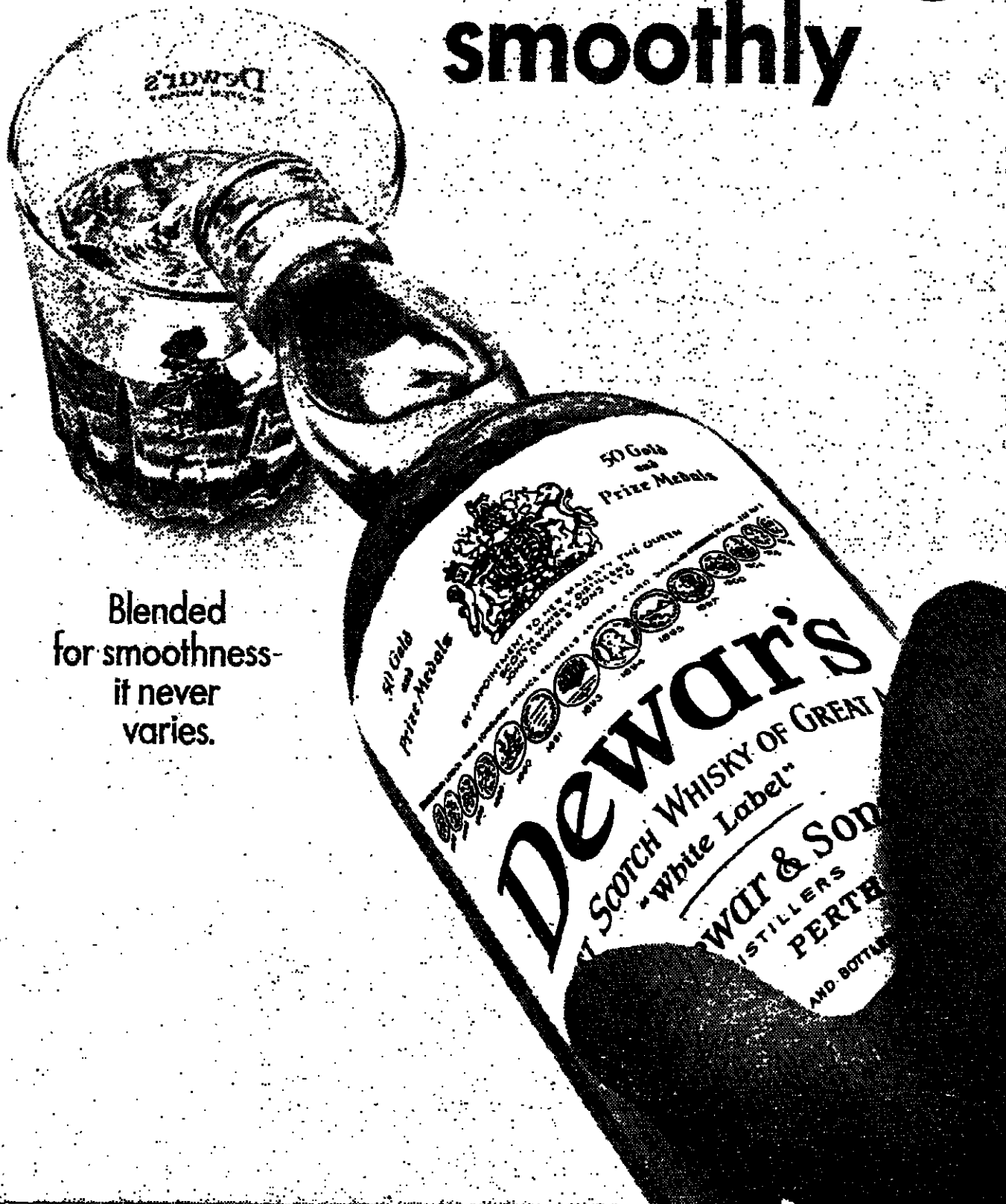
Only hovercraft services, the Townsend Thoresen car ferries and Belgian ferry services on the Dover-Ostend route were functioning, and passengers were being advised to contact the BR Continental inquiry office at Victoria Station, London, before going to a Channel port.

Trouble started when the Shepperton Ferry was taken out of service on Saturday. Twelve months ago, the National Union of Seamen and BR made a 12-month agreement by which the Shepperton Ferry's crew was reduced by five. The union now wants to renegotiate the agreement, but BR is said to have refused.

The union advised its 120 men operating the three-shift system on the Shepperton Ferry not to resign their articles when they expired. Immediately Shepperton was taken out of service, crews on other BR ferries walked off. About 450 seamen are employed by BR on the ferries.

There were no real problems at Dover yesterday despite the strike and the French ships are due to return to service today. Worst hit service was the Dover-Dunkirk train ferry route where all six week-end sailings were cancelled.

# Keep things flowing smoothly



Blended for smoothness—it never varies.

## Heathrow jobs fears

CLAIMS by some shop stewards at Heathrow Airport that a new ground handling contract would cause redundancies were described yesterday as "totally unfounded" by Mr. Peter Masefield, chairman of the British Airports Authority.

The shop stewards are calling a protest meeting for to-day when the contract comes into force between Iberia Spanish Airlines and General Aviation Services, a Canadian ground-handling company. There will also be calls for a 24-hour strike.

However, recent efforts by Heathrow shop stewards to call strike action over the GAS issue have found little support from the rank and file.

More labour news on Page 9



## ISSUE NEWS AND COMMENT

## HTV seeking quotation

Henry Ansbacher and Co. in association with Julian S. Hodges and Co. is arranging an introduction to the London and the Midlands and Western Stock Exchanges of the 4.088m non-voting Ordinary 25p shares of HTV (formerly Harlech Television).

The company has been operating the independent television contract for the West of England and Wales since 1968. The programme contract with the Independent Television Authority runs until July 29, 1974; however the IFA has announced that it proposes to offer all existing programme contracts an extension until July 29, 1974, subject to the company's performance in the contract areas and a possible rental change in 1974.

The company has re-equipped its Bristol studios for colour production and is currently re-equipping its Cardiff studios so that by mid-1972 almost all the programmes produced by the company will be in colour. Each week the company provides about 53 hours of programmes, of which some 51 hours are productions of its Bristol studios and 81 hours of its Cardiff studios. In the year to the end of July, 1971, pre-tax profits increased from £398,000 to £1,160,000, helped by a reduction in the Exchequer Levy and increased levels of advertising. Though the directors expect that advertising revenue will be higher in the current year, they are not prepared to forecast the amount of this increase. The Board is therefore not prepared to forecast profits for 1971-72, which they expect to be lower than in the year ended July 31, 1971.

However, the directors intend to pay dividends totalling not less than 20 per cent for the year. Brokers to the introduction are Pennington & Co. in London, B. S. Stock Son and Co. in Bristol, and Lyndon and Co. in Cardiff. Dealings are expected to start next Friday, November 5. Particulars Pages 30 and 31. See Lex.

## WORLD BANK LOAN

The Yen 12,000m Japanese Yen Bonds of 1971—Second Series due October 30, 1981. The bonds are national Bank for Reconstruction and Development have now been sold. The Bonds which were issued at 99½ per cent, each were underwritten by a group headed by the Nikko Securities Company. See page 6.

## GUINNESS MAHON INCENTIVES

As foreshadowed Guinness Mahon Holdings proposes to introduce an executive share purchase scheme in which executive directors and senior executives could participate. The number of shares concerned is limited to 500,000 and initially 23 executives will participate.

## BROOKS THOMAS

Following the London quotation granted earlier this year, the directors of the Brooks Thomas

Group (of Dublin) now propose the subdivision of the £1 Ordinary shares into shares of 20p each. It is also proposed to increase borrowing powers from £2,042,224 to £2,582,481. Extra-ordinary meeting, November 23.

## Grand Met. loan offer

Lists open on Thursday, November 4, for the offer for sale by S. G. Warburg and Co. of £20m, 8½ per cent unsecured loan stock 1978-80 in Grand Metropolitan Hotels at 59p per cent.

The stock is payable at £10 per cent on application, £40 per cent on January 14, 1972, and the balance on March 29, 1972. The first interest payment of £320 per cent will be due on June 30, 1972, while a second payment of interest of £212 per cent will be payable on September 30, 1972, thereafter interest will be payable in equal half-yearly instalments. Flat and final yields at the offer price are 5.89 per cent and 5.87 per cent respectively.

Application made by persons holding any share or loan capital, on October 11, will receive preferential consideration in respect of up to 50 per cent of the issue.

Proceeds, estimated at £10.27m, will be used to reduce the bank overdraft.

Brokers are Panmure Gordon and Co.

Prospectus Pages 32 and 33. See Lex.

## Mitchell Construction

Samuel Montagu and Co. has completed arrangements for a placing of £10m 8½ per cent Debenture Stock 1989-96 in Mitchell Construction Holdings at 59p per cent.

The stock is payable at £25 per cent on application, £25 per cent on April 14, 1972, and the balance on May 31, 1972. First and final yields are 9.596 per cent and 9.606 per cent respectively. Asset cover is three times and interest cover is 11.7 times. Proceeds, estimated at £9.63m, will be applied in reducing bank borrowings.

Brokers are Vickers da Costa and Co.

● comment

As a small issue Mitchell Construction could meet with a little resistance. Glits have been edging downwards of late while the debenture market demand appears to have eased off and there is now more stock about. Some of the new issues have eased by more than a point; Fodens are now standing at 70½ (against a high of 71½) where the yield is about 9½ per cent. So for Mitchell, initial dealings much above par seem unlikely. See this Page.

## WHO OWNS WHAT IN WORLD BANKING

The Banker Research Unit has just completed this guide to the subsidiary and affiliated interests of 250 of the world's top banks. It will be available for sale at the beginning of November.

The price per copy is £15. The extra charge per copy for packaging and air posting is 50p for the United Kingdom and Europe, and £2.50 for the rest of the world.

Orders together with remittance should be addressed to:

THE BANKER RESEARCH UNIT,  
Bracken House, 10, Cannon Street,  
London EC4A 3BY.

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**VICTOR BRITAIN**  
01-262 3134

## COMPANY NEWS

## Raybeck confident of future growth

ALTHOUGH the period of seven years since Raybeck was floated has seen "dramatic" increases in profits, chairman Mr. B. Raven feels certain that the opportunities for growth will be even greater.

"I can only see your company going forward from strength to strength," he tells members.

The group now has 229 retail outlets including the shops within shops operated by Berkeley and it is the Board's intention to continue its policy of broadening the base of Raybeck's activities and diversifying within the clothing industry.

In the current year the retail companies will contribute very nearly 50 per cent of the Group's profit, the chairman predicts. The Bobb Cousins group of boutiques which caters for teenagers and young women, is trading successfully and is now ready for further expansion. The directors are actively considering a number of new sites.

At the moment the Board is reviewing the operations of some of the smaller manufacturing companies within the group with a view to ascertaining the extent to which they can be integrated with the larger manufacturing companies.

The group has recently made a first step into menswear retailing by the acquisition of Faith Bros. Its shops, which include Lord John's, are all situated in and around London. "Tremendous" opportunities exist in this field and it is the Board's intention to build a substantial chain of menswear shops.

As reported on September 25, group profit, before tax, for the year ended April 30, 1971, increased from £2,311,154 to £2,440,000, the total dividend is effectively raised from 32½ per cent to 35 per cent, and a one-for-five scrip is proposed.

Operating, Savoy Hotel, W.C., December 6, noon.

## Foreign and Colonial profit up

Net profit of Foreign and Colonial Investment Trust has increased from £1,283,115 to £1,420,032 for the nine months to September 30, 1971, after tax of £88,400 (£124,635).

Net asset value per share was 154½p (127p) including full dollar premium and treating the loan stock as full converted.

## Lake View Investment

Gross revenue of Lake View Investment Trust for the half year ended September 30, 1971, is little changed at £720,718 against £717,109, while net revenue is slightly ahead at £479,191 compared with £460,564.

For the previous year, gross revenue was £1,364,257, and net revenue £852,783.

At September 30, 1971, valuation of investments was £44,005,142 (£38,153,824 at March 31, 1971).

Net asset value per share was 166½p (137½p at September 30, 1970).

As known a second interim dividend of 1.25p has been declared, making 3.825p for the current year. The first interim was paid in lieu of a final dividend for the year ended March 31, 1971. The first interim for that year was 1.25p.

## MARSTON RADIATOR

As part of its continuing policy of expansion, Marston Radiator Services, a subsidiary of Imperial Metal Industries, has acquired the radiator manufacturing and repair business previously carried on by W. Watson and Co. (Liverpool). The operation will remain for the time being at Orrell Park Works, Orrell, Lancashire, and will continue under the name of Marston Radiator Services.

## RESULTS AND ACCOUNTS IN BRIEF

ATLAS ELECTRIC AND GENERAL TRUST—As known, interim dividend of 1.25p (1.25p) has been declared, making 3.825p for the current year. The first interim was paid in lieu of a final dividend for the year ended March 31, 1971. The first interim for that year was 1.25p.

CONSOLIDATED GOLD FIELDS—Results for the half year ended June 30, 1971, already known. Group fixed assets £10,170m. Investment £7,930m (£6,420m). Dividend £1,283,115 (£1,283,115). Net current assets £2,120m (£2,120m). Net current assets £2,120m (£2,120m). Net current assets £2,120m (£2,120m).

DEBENTURE SECURITIES INVESTMENT TRUST—Final dividend of 1.25p (1.25p) has been declared, making 3.825p for the current year. The first interim was paid in lieu of a final dividend for the year ended March 31, 1971. The first interim for that year was 1.25p.

GOPEING CONSOLIDATED—Estimated profit, before tax, for the year ended March 31, 1971, is £1,283,115 (£1,283,115). The first interim was paid in lieu of a final dividend for the year ended March 31, 1971. The first interim for that year was 1.25p.

## HIGHLIGHTS

An equity introduction for Harlech Television and Grand Metropolitan Hotels offer for sale in £20m. Unsecured Loan are discussed by Lex (both prospectuses are published this morning. This week sees annual profits from J. Hepworth and a half-timer from Reed International (both to-day) while tomorrow we have prelims from Brooke Bond Liebig and Smiths Industries and an interim from De La Rue. But the market must wait until Thursday for the week's major result—namely the third-quarter profits from Royal Dutch/Shell.

## DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corrs. Div. %	Total last year	Total this year
Explosives and Chemical	18p	—	2.1875p	3p	2.1875p
Explosives and Chemical	18p	—	0.1719p	12.143p	0.719p
Rubislaw Investment	18p	Dec 23	18	25	23½

\*Equivalent after allowing for scrip issue. †Amount per share. ‡At tax free. (b) On capital increased by rights and/or acquisition issues.

operates 42 radiator repair and reconditioning depots throughout the U.K.

## Further expansion for Judge

CHAIRMAN of Judge International, Mr. L. Ressler, expects that the current year will see a further expansion and profits from the Housewares companies.

He sees the Houseware companies becoming stronger and achieving an even greater share of the market in trading conditions which are still not too favourable.

As reported on October 23, group profit, before tax, for the year ended June 26, 1971, improved slightly from £208,722 to £219,597 with the dividend held at 13 pence.

The sale of the Housewares companies raised 39 per cent to £3.16m, and trading profit was also up by 29 per cent at £387,000. This trend is continuing, the chairman states, and involved sales of the 12 weeks to September 13 were up by 21 per cent over the corresponding period. The intake of orders is also up and there is a substantial order book.

During the year Coral Plastics had a large increase in sales, but profits were not as large as expected. However, budgets for 1971-72 indicate an acceptable increase in profit with only a slight increase in sales volume. Order intake and order book for the opening of the current year are ahead of last year.

Meeting, Birmingham, November 24 at 11 a.m.

## ACW raises interim

ACW, makers of bottle closures, etc., is raising its interim dividend to 1.25p (1.25p) from 1.25p (1.25p) for the year to January 31, 1972. The 1970-71 total was equal to 8½ per cent.

For the six months to July 31, 1971, profit was £29,042, against £28,060 for the corresponding period. The dividend distribution came to £47,181 (£40,931).

## Benfield &amp; Loxley expansion

Benfield and Loxley, building contractors, forecasts a profit of £22,438 for the year ended February 29, 1972, against £22,438, and a substantial expansion in the not too distant future. There is no interim dividend but a forecast of 1.25p (8½ per cent equivalent) for the year is reiterated.

## MORGAN CROSSLEY

Gandy is offering four of its 6 per cent Cumulative Preference stock units of 25p each, and 17p cash for every 9 pence of 17p Cumulative Preference in its subsidiary Morgan Crossley and Co. Gandy already owns all the Ordinary.

A Gandy element is included as Gandy has insufficient authorised but unissued Preference for a satisfactory price for building can be obtained. Gandy's administration of the trust for the year ended September 30, 1971, has been successful in securing a dividend of 1.25p (1.25p) for the year to January 31, 1972. The 1970-71 total was equal to 8½ per cent.

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straight exchange to give the same income—and it is not thought worthwhile increasing the authorised capital for this purpose. First expiry date of the offer is November 15.

## Derritron recovery measures

IN THE ABSENCE of unforeseen circumstances Derritron should show a small profit in the current year, April 30, 1972, but the directors do not intend to recommend an Ordinary dividend.

However, they anticipate that an improvement in the group's fortunes, consequent upon changes in policy, will enable recovery measures to be taken in the following year.

This is stated by chairman Mr. G. S. Stone in the documents sent out in connection with the rights issue. Rowe Rudd and Co. announces that underwriting arrangements in connection with the issue—three new 10p shares for every two held at par—have been completed. Dealings in the new shares (nil-paid) commence to-day.

As reported on October 23 the company, electronic equipment manufacturers, incurred a group loss of £233,178 (profit £75,087) for the year to April 30, 1971, and the ordinary dividend (10 pence).

The main reasons for the loss were two contracts entered into with Centre European Recherche and Development, which had to be written off a substantial amount in respect of obsolete and obsolete items.

A major reorganisation scheme has been instituted under which group activities are being concentrated into three main fields—vibration and environmental test equipment, which has formed the major part of turnover in the past, and electronic equipment, which will be based on a reorganisation of the Resolcon company; and telecommunications, where the directors consider there is substantial growth potential.

The plan to raise rights issue will facilitate the recovery of the business based on the three reorganised fields. Although it will take some time before the audio-communications and telecommunications interests make a substantial contribution to profits, a significant level should have been reached by 1973-74.

The leaving Philips Patent, a mental test equipment, and meanwhile should provide the major proportion of profits, says Mr. Stone.

The net proceeds of the issue are estimated at £145,000, of which £58,000 will be used in repayment of existing loans, £10,000 in part repayment of an existing loan and the balance to provide additional working capital.

The directors intend, in conjunction with family interests, to take up their entitlements totalling 179,775 shares. ICPC, which holds 15 per cent of the Ordinary is taking up its entitlement of 270,000 shares.

Meeting, Winchester House, E.C., November 29, noon.

## ANNFIELD

At the annual meeting of Annfield Holdings, shareholders gave approval to the change of name to Freshbake Foods (Holdings).

With management accounts now available for the first four months of the current year, chairman Mr. J. V. Bugter, was able to confirm the Board's view that the forecast pre-tax profit of £95,000 for the year to June 30, 1972 would be comfortably exceeded.

## EASTERN PRODUCE

The offer by Eastern Produce (Holdings) for the shares of Cholo Holdings has now become unconditional. The offer, which has been received for 168,142 Cholo shares (approximately 80 per cent of the shares for which the offer was made) and Eastern Produce has about 86 per cent of Cholo's capital. The offer remains open.

## SUTHERLY YEA AND RUBBER TRUST

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## MINING NEWS

## Gold Fields takes a longer view

BY KENNETH MARSTON

LIKE other mining and industrial finance houses, the £228m Consolidated Gold Fields group has lived through one thin year and is now in the throes of another. It keeps faith in the future, particularly as far as gold is concerned. The group considers that the demand for the metal in fabrication will increase by about 4 per cent annually over the next ten years.

Western world mine production, on the other hand, is expected to decline within the next five years and any new gold mining areas are unlikely to contribute significantly to supply before 1980. A future shortage of supply is thus foreseen and this is an important consideration for a group which drew from gold 21 per cent—the largest source—of its revenue in the year to last June.

## The losers

The annual report confirms that the decrease of £2.7m to £24.5m in 1970-71 revenue was largely attributable to lower profits at the Mount Lyell copper production in Tasmania and continued losses sustained at the American Zinc subsidiary. For the current year the latter burden should be lifted as a result of the deal with American Smelting and Refining, but Gold Fields has had to write down its American Zinc investment by £5m.

Copper provided some 7 per cent of Gold Fields revenue in the past year and unless there is a sharp recovery in the metal price Mount Lyell faces further difficult times in the current period. A similar proportion of revenue came from the indirect interest of 21 per cent in Rustenburg Platinum Mines and the latter's more than halved that in 1970-71.

On the other hand, the stake in iron ore continues to do well and gold earnings may provide more. Whether the group's expertise in smelting—profits from which equaled 18 per cent of the past year's revenue—will again sour market conditions remains to be seen. The London meeting is to be held on November 23.

## MINING BRIEFS

GRIMALAND EXPLORATION—Only dividend September 30: Total profit £206,000 (1970-71: £206,000). Profit attributable to members of GEPCO £98,000 (1970-71: £98,000). Capital expenditure £128,728 (1970-71: £128,728). Prospects £25,000 (1970-71: £25,000).

## ROUND-UP

Australia's Katanning Holdings announces that it has increased

the number of Agnew area claims in which it has an interest to 160. Under a joint venture agreement 53 were pegged by Asarco, the U.S. group which has a controlling interest in MIM Holdings.

Another warning on labour costs comes this time from Mr. L. Baillie, chairman of North Broken Hill. Expressing caution about the company's prospects for the current year, he added that the Vauxhall crush zone fault at Broken Hill could mean many years of extensive and costly development work.

## Tara's latest intersections

FURTHER evidence of the exceptional thickness of the south-western extension of Tara Exploration's Navan orebody in Ireland is provided by the latest drilling results. Among the No. 187 has intersected a lengthy 375 feet of ore assaying a combined 6.9 per cent zinc and lead; No. 185 has cut 320 feet with a combined value of 9 per cent; and No. 181 has cut 355 feet assaying 8.3 per cent.

Tara states that the extension is being followed by six of the nine drills now working on the property. Drilling on a wider spaced pattern is being carried out in order to obtain an early indication of the extent and quality of the ore. In London on Friday, Tara were 10p down at 505p, showing a loss on the week of 108p.

## First Investors International Mining &amp; Petroleum Fund

S.A. Luxembourg

## Summary of Quarterly Report to 30th September, 1971.

The net asset value of the Fund as at 30th September, 1971 was \$8.24, 16.3% of the Fund was in the United States and 43.2% in Canada. Canadian oil stocks, in which the Fund is heavily invested, have performed relatively well, and although there has not







## INTERNATIONAL COMPANY NEWS EUROPEAN MARKETS

## EUROBONDS

## Boom for dollar sector

BY WILLIAM LOW

IT IS NOW widely accepted among international bankers that the Eurodollar market operates on a cyclical basis. The sequence is roughly as follows: the first few months of the new year, a period of a large volume of new issues, followed by a bout of market indigestion which normally lasts throughout the summer months. Then, just as the Jerehams are predicting the complete collapse of the market, the issue resumes.

Certainly, the events of the past fortnight support this theory. With the announcement of a \$15m. straight-debt loan by General Telephone and Electronics Corp., \$247m. of new issues have now been announced. This week could see the \$300m. mark reached.

For many people, the sign that the current boom is a genuine one was the news that Esso plans to raise \$100m. by way of a two-tranche offering. Although the response to the Esso debenture and notes issues is enormous, leading some operators to believe that the indicated coupon rates of

8 1/2 and 7 1/2 per cent. will be renewed appetite for dollar loans will be demonstrated later this week when the \$25m. Rank and \$15m. MEPCO issues are priced. Again, response to these loans has been very strong and a reduction in either of the expected coupon rates of 8 1/2 per cent. cannot be ruled out. The same can be said about the \$35m. Quebec Hydro offering, which carries an indicated coupon of 8 1/2 per cent.

Another heartening sign is the continuing recovery of the secondary market for straight-debt dollar bonds. Despite the large flow of new issues, prices of existing issues have held up exceptionally well. Traders report that most of the increased turnover is attributable to retail, as opposed to professional, buying.

Other sectors of the Eurobond market remain relatively quiet. The latest D-Mark offering by a non-German borrower is the Republic of South Africa's Deutsche Bank, the lead manager, indicated that the DM100m. issue will be priced at around 98 per cent. on a coupon of 7 1/2 per cent.

## Indices

## NEW YORK

## DOW JONES AVERAGES

	Close	High	Low	Open	Prev. Close
Oct. 29	72.35	72.35	72.35	72.35	72.35
Oct. 28	72.31	72.31	72.31	72.31	72.31
Oct. 27	72.27	72.27	72.27	72.27	72.27
Oct. 26	72.23	72.23	72.23	72.23	72.23
Oct. 25	72.19	72.19	72.19	72.19	72.19
Oct. 24	72.15	72.15	72.15	72.15	72.15
Oct. 23	72.11	72.11	72.11	72.11	72.11
Oct. 22	72.07	72.07	72.07	72.07	72.07
Oct. 21	72.03	72.03	72.03	72.03	72.03
Oct. 20	71.99	71.99	71.99	71.99	71.99
Oct. 19	71.95	71.95	71.95	71.95	71.95
Oct. 18	71.91	71.91	71.91	71.91	71.91
Oct. 17	71.87	71.87	71.87	71.87	71.87

## STOCK AND BOND YIELDS

## INDUSTRIAL DIV. YIELD

## GOVERNMENT BOND YIELD

## TREASURY BOND YIELD

## MORTGAGE BOND YIELD

## CORPORATE BOND YIELD

## TREASURY NOTE YIELD

## TREASURY BILL YIELD

## TREASURY STRIP YIELD

## TREASURY INFLATION PROTECTED SECURITY YIELD

## TREASURY ZERO-COUPON BOND YIELD

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## Shell Oil

## earnings improve

By Our International Company

News Staff

SHELL Oil Company's net income

in the third quarter of 1971 was

\$63.3m., or 94 cents a share, a

6 per cent rise over the \$59.7m.

of 80 cents a share earned in the

same quarter last year.

Earnings for sales and other

operations were \$63.3m., or 94

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## MADRID STOCK EXCHANGE PRICES

Percentage of par value (Ptas.500)

Week's	High	Low	Close	Change	Div. Yield %	Net
Altores Hornos de Vizcaya	99	98	98.50	+2.75	6.00	5.07
Banco Central	998	987	988	+21	11.97	1.19
Banco de Bilbao	882	882	882	+10	13.33	1.56
Banco de Vizcaya	814	805	805	+8	14.22	1.76
Banco Espanol Credito	746	740	744	+16	11.33	1.52
Banco Exterior Espana	375	370	370	+2	9.95	2.68
Banco Hispano Americano	791	785	785	+12	12.01	1.52
Auxiliar Ferrocarriles	118	116.50	116.50	+3.25	10.00	6.00
Cia. Ind. Agricolas	293	285	288	+8	8.50	2.95
Cia. Esp. Petroleos	381	377	378	+8	10.29	2.69
Cia. Insular Nitrogeno	126	122	126	+4	6.30	3.59
Cia. Sevillana Electricidad	249.50	240	241	+8.50	9.90	3.94
Cia. Telefonica N. Esp.	285	281	285	+10	5.97	2.53
Dragados y Construcciones	594	580	584	+34	5.95	1.43
Euro Cia. Azucar. Alcoboles	673	669	669	+3	12.66	2.03
Espanol del Zinco	120	117.50	120	+2	5.10	4.25
Fuencarles Elec. Cataluna	239	237	237.75	+4.75	10.00	4.20
Galerias Preciados	315	315	315	+1	11.47	3.64
Hidroelectrica Espanola	250	244	245	+7	10.00	4.00
Iberduero	297	293	293	+5.50	10.00	3.41
Union y Fenix Espanol	666	658	658	+10	12.00	1.32
Min. Sid. Ponterrada	183	179	182	+3	5.10	2.90
SA Cro	291	285	285	+9	9.35	3.28
SA El Aguilu	183	179	182	+3	5.10	2.90
SE Auto. Turismo Seat	291	285	285	+9	9.35	3.28
Asiaticas Espanoles	73	72	73	+2	4.25	3.82
S. Mat. Duro Felguera	71	70.25	71	+4	5.00	7.04
Salinas	152	145	145	+5	10.00	3.51
Union Expt. Rio Tinto	251	246.50	246.50	+1.50	10.20	4.30
Simat	300	300	300	0	0	0
Banco de Santander	849	841	847	+14	10.78	1.27

Par values: Ptas.500 except \* Ptas.250, \* Ptas.150, \* Ptas.1.000.

Source: Banco Central Madrid.

## AUSTRALIAN WEEKLY LIST

Australian \$

Oct. 29

Oct. 28

Oct. 27



**Yle**

[illegible]

Brook Street, W.1. 01-498 4171  
 A.L. Gibb & Co. 111.5 113.0  
 113.0 113.0

	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 25	Oct. 22	%
Government Bond.....	78.61	78.94	78.78	79.12	79.37	79.05	0.7
Fixed Interest.....	78.02	78.60	78.75	78.89	79.01	78.69	0.7
Industrial Ordinary.....	40.81	40.95	41.29	40.92	40.92	40.92	0.0
Gold 1/2 ounce.....	44.3	44.1	43.6	43.5	44.0	44.5	0.5
Oct. Div. Yield.....	5.9	5.8	5.8	5.8	5.8	5.8	0.0
Earnings Yield on.....	9.95	9.87	9.94	9.94	9.94	9.94	0.0
P. E. Ratio on.....	16.69	16.57	16.53	16.58	16.42	16.61	1.1
Dwelling Market.....	15,225	15,230	15,273	15,511	15,655	15,900	1.6
30-Day 4 1/2% B. M. A.....	409.6	410.9	410.9	408.7	408.7	408.7	0.0
	3 p.m. 409.6						
(or Based on 40% corp. tax from March 24, 1971. Latest Index 91.934 409)							

	1971	1969	1968	1967	1966
Highs and Lows	1971	1969	1968	1967	1966
Prices Completion	1971	1969	1968	1967	1966
S.E. Activity	1971	1969	1968	1967	1966

	High	Low	High	Low	29	30
Govt. Secs.	75.64 (15/10/72)	68.85 (9/7/72)	137.4 (22/11/72)	54.31 (1/11/72)	Daily Gilt-Edged Industrials	194.2 195.1
Fixed Int.	79.37 (16/10/72)	64.63 (4/1/72)	150.0 (28/11/72)	67.12 (1/11/72)	Government Totals	485.8 488.5
Ind. Ord.	450.9 (15/10/72)	305.5 (5/1/72)	582.19 (22/11/72)	46.6 (1/11/72)	Gilt-Edged Industrials	290.5 406.8
Gold Minus	61.35 (15/10/72)	43.5 (22/10/72)	100.0 (12/9/55)	45.5 (25/10/72)	Gold Total	406.8 279.7
Basis 186 Gilt Secs 15/10/72. Fixed Int. 1820. Ind. Ord. 30/1/72. Gold						
1820 3.6 Active July-Dec. 1967. Corrected figures.						

**SHARE INFORMATION SERVICE : NOTES**

Denominations are 25 unless otherwise indicated.

Yields shown for value of declared shares.

Dividend paid or deferred, c. 7%.

FIGURES are based on official estimates for 1971-72.

8.6	between and rights and are based on	capital prospects or other
7.8	Estimated price-earnings ratios and	and yield after pending scrip and/or
7.3	"divines covered" are based on corpora-	rate, or including refunds of U.S. or
7.0	tion tax of 40 per cent and exclude	California or other official estimates for
6.5	Risks and laws marked thus have been	estimates based on premiums or
6.0	adjusted to allow for risks issues for	official estimates before additional
5.5	Interim (or quarterly) sales increased	percent or other official estimates for
5.0	or resumed.	a Yields based on 1987 pay
4.5	Interim (or quarterly) sales reduced	Yields based on 1987 pay
4.0	or deferred.	Yields based on 1987 pay
3.5	Not comparable; net div. paid.	portion Tax payable. 2 Dividend to
3.0		date.
2.5		at or time of settlement

[illegible]



This Advertisement, which is published in connection with the introduction to The Stock Exchange, London and The Midlands and Western Stock Exchange of the whole of the issued Non-Voting Ordinary Share capital of HTV Limited ("the Company"), is not an invitation to any person to subscribe for or purchase any shares.

This Advertisement is issued in compliance with the Regulations of the Councils of The Stock Exchange, London and The Midlands and Western Stock Exchange for the purpose of giving information to the Public with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in the Advertisement misleading.

Application has been made to the Councils of The Stock Exchange, London and The Midlands and Western Stock Exchange for permission to deal in and for quotation for the whole of the issued Non-Voting Ordinary Share capital of the Company.

# HTV Limited

(Incorporated under the Companies Act 1948)

## Share Capital

Authorised:	Issued and Fully Paid:
£60,000 in 240,000 Voting Ordinary Shares of 25p each	52,000
2,440,000 in 9,760,000 Non-Voting Ordinary Shares of 25p each	1,022,286
£2,500,000	£1,074,286

The above issued Voting and Non-Voting Ordinary Shares rank *pari passu* as regards participation in profits and assets. Holders of the Non-Voting Ordinary Shares are not entitled to attend or vote at any Meeting of the Company. A summary of the rights, restrictions and provisions attaching to the Voting and Non-Voting Ordinary Shares is set out under the heading "Articles of Association" in General Information. The Board has no present intention of issuing any of the authorised but unissued share capital of the Company.

## Loan Capital

Created:	Outstanding:
£1,600,000 8 per cent. Unsecured Loan Stock 1969/74 (£50 per cent. paid)	£1,421,949

The Company has guaranteed the bank overdraft of Independent Television News Limited ("I.T.N.") subject to a limit currently estimated at £99,000. Save as aforesaid the Company does not have outstanding any mortgages, charges, debentures, loan capital or bank indebtedness or other similar indebtedness, hire purchase commitments or, except in the ordinary course of business, any material guarantees or other material contingent liabilities.

This advertisement is published in connection with an

## Introduction arranged by Henry Ansbacher & Co. Limited

in association with Julian S. Hodge & Company Limited



**Directors**  
**THE RT. HON. LORD HARLECH, P.C.**  
 K.C.M.G. (Chairman), Glyn, Talsarnau,  
 Merionethshire.  
**ALUN TALFAN DAVIES, O.C.**  
 (Vice-Chairman), 62 Eaton Crescent,  
 Swansea.  
**GEORGE EDWARD McWATERS**  
 (Vice-Chairman), 2 Miles Road, Bristol, &  
**ANTHONY JOHN GORARD** (Managing  
 Director), The Beeches, High Street, Chaw  
 Magna, Somerset.  
**JOHN AERON THOMAS**, 23 Maltrivill Lane,  
 Newton, Swansea. (Brikmaker).  
**WILLIAM STANLEY BAKER**, Woodcote  
 End House, Woodcote Road, Epsom,  
 Surrey. (Actor and Producer).  
**WILLIAM GERALD BLOE**, 3 Rodney Place,  
 Bristol, & (Director of J. R. Phillips &  
 Co., Limited).  
**SIR FREDERICK MACKAY BERNETT**,  
 M.P., Abercrombie, Montgomeryshire.  
 (Member of Parliament).  
**RICHARD BURTON, C.B.E.**, Chalet Ariel,  
 Gstaad, Bern, Switzerland. (Actor).  
**WILLIAM FREDERICK CARTWRIGHT**,  
 D.L., Castle-upon-Alun, St. Brides Major,  
 Bridgend, Glamorganshire. (Deputy  
 Chairman of The British Steel Corporation).

**JOHN EDMOND CYRIL CLARKE**, 7 Princess  
 Buildings, Clifton, Bristol, & (Solidator).  
**ALUN RODERICK EDWARDS**, Llanilo,  
 Llan Tydwys, Llanfyllan, Aberystwyth,  
 Cardiganshire. (Librarian).  
**SIR GERAINT LLEWELYN EVANS, C.B.E.**,  
 34 Birchwood Road, Peto Wood, Kent.  
 (Opera Singer).  
**WALTER ANSTEE HAWKINS**, The Loans,  
 Abertawe, Gloucestershire. (Newspaper  
 Publisher).  
**THEODORE ROSEASON-BROWN**, 28 Earle  
 Crescent, Clifton, Bristol, & (Director of  
 Wessex Developments Limited).  
**JOHN JAMES**, Tower Court, Ascot,  
 Berkshire. (Chairman of John James Group  
 of Companies Limited).  
**ALUN LLYWELYN WILLIAMS**,  
 "Pen-y-Lan," 58 Belmont Road, Bangor,  
 Carnarvonshire. (University Teacher).  
**LADY EMMA JANE (AMY) PARRY**,  
 Williams, "Wern," North Road,  
 Aberystwyth, Cardiganshire. (Writer and  
 Broadcaster).  
**GEORGE HAROLD SYLVESTER, C.B.E.**,  
 43 Hill View, Henleaze, Bristol, &  
 (Educationalist).

**ERIC LIONEL THOMAS**, Pendryryn,  
 Croeswylfa Lane, Oswestry, Shropshire.  
 (Newspaper Proprietor).  
**LEWIS JOHN WYFORD VAUGHAN**,  
 THOMAS, 15 Raglan House, Castle Court,  
 Westgate Street, Cardiff. (Executive  
 Director).  
**GERALD WALCAN-BRIGHT (GERALDO)**,  
 Burley, Clabber Park, Wotton, Surrey.  
 (Director of Gerald Orchestrals Limited).  
**RONALD WILLIAM WORDLEY**, Trevelyan,  
 15 Broad Walk, Wychmore Hill, London,  
 N.21. (Sales Director).  
**Secretaries and Registered Office**  
**TIMOTHY KNOWLES, F.C.A.**, The Television  
 Centre, Cardiff, CFI 9XL.  
**Bankers**  
**BARCLAYS BANK LIMITED**, 121 Queen  
 Street, Cardiff, CFI 15G.  
**NATIONAL WESTMINSTER BANK**  
 LIMITED, 31 Corn Street, Bristol, BS99  
 7PZ.  
**Brokers**  
**PANMURE GORDON & CO.**, 21 Acacia  
 Fields, London, EC3N 2ES, and The Stock  
 Exchange, London.

**B. S. STOCK SON & CO.**, The Bristol and  
 West Building, Broad Quay, Bristol.  
 BSW FAX, and The Midlands and Western  
 Stock Exchange.  
**LYDDON & CO.**, 113-115 Bute Street,  
 Cardiff, CFI 6TA, and The Midlands and  
 Western Stock Exchange.  
**Solicitors**  
**To the Company:**  
**OSBORNE CLARKE & CO.**, 30 Queen  
 Charlotte Street, Bristol, BS99 7QQ.  
**To Henry Ansbacher & Co. Limited and the**  
**introduction:**  
**SLAUGHTER AND MAY**, 25 Basinghall  
 Street, London, EC2V 5DB.  
 Trustees of the 8 per cent. Unsecured  
 Loan Stock 1969/74.  
**THE COMMERCIAL UNION ASSURANCE**  
**COMPANY LIMITED**, St. Helen's, 1  
 Underhill, London, EC1P 3DQ.  
**Auditors and Reporting Accountants**  
**DELOITTE & CO.** (Chartered Accountants),  
 7 Windsor Place, Cardiff, CFI 6PN.  
**Registrars and Transfer Office**  
**DELOITTE & CO.**, Bourne House, 34  
 Beckenham Road, Beckenham, Kent,  
 BE3 4TU.



### History and Business

In March, 1967 a Consortium, consisting primarily of representatives of artistic, educational and business interests in Wales and the West of England, was formed in order to make an application to the Independent Television Authority ("the I.T.A.") for appointment as programme contractors for the Wales and West of England area for a period of six years from 30th July, 1968. The application was successful. The Company was incorporated in England as a private company with the name of Harlech Consortium Limited on 28th July, 1967 and was converted into a public company on 8th December, 1967. The name of the Company was changed to Harlech Television Limited on 25th October, 1967 and subsequently to HTV Limited on 28th July, 1971.

The Company commenced transmission of programmes on 4th March, 1968, having acquired the last few months of its predecessor's programme contract at a cost of £500,000 and £46,500 relating to matters connected therewith. The Company operates under a contract with the I.T.A. ("the programme contract") dated 28th July, 1968 as subsequently amended, under which, in return for an annual rental, the Company has the right and the duty to supply programmes for transmission on the I.T.A.'s transmitters in Wales and the West of England. The programme contract runs until 29th July, 1974; however the I.T.A. has announced that they propose to offer all existing programme contractors an extension until 29th July, 1976, subject to continuing adequate performance by the individual programme contractors, possible adjustments in contract areas and a possible rental change in 1974.

The programme contract was obtained on the basis of an application to the I.T.A. in which certain statements were made regarding the policies to be followed by the Company if the application were successful. The Directors intend to continue to fulfil their obligations by producing programmes of high quality, catering for the needs of viewers both in Wales and in the West of England, and for the needs of the Welsh-speaking community. Apart from its programming obligations, the Company also has an obligation to promote and support cultural and other activities considered likely to benefit the quality of the television broadcasting services.

The Company has re-equipped its studios at Bristol for the production of programmes in colour and is currently engaged in the re-equipment of its Cardiff studios. It is anticipated that by mid 1972 almost all the programmes produced by the Company in normal circumstances will be in colour. More than 80 per cent. of the programmes purchased by the Company for transmission are in colour and it is expected that this proportion will increase gradually. Each week the Company produces approximately 22 hours of programmes, of which some 5½ hours are productions of its studios in Bristol and 8½ hours of its studios in Cardiff, including 6 hours in the Welsh language. The remainder of its

programmes are purchased from the independent television contractors, I.T.N. and film distribution companies. Programmes are purchased from the major independent television contractors on terms agreed with the programme contractors, including the Company, and the I.T.A.

In connection with the television audience research services provided by Audita of Great Britain Limited to the Joint Industry Committee for Television Advertising Research, it has been estimated that in the area covered by the Company's transmitters in September 1971 there were 4,871,000 people living in 1,555,000 homes of which 1,258,000 homes have television sets capable of receiving independent television transmissions provided by the Company.

### Premises and Equipment

The Company's studios and principal administrative offices are at the Television Centre, Cardiff, and the Television Centre, Bristol.

In Cardiff the Company occupies approximately 3.17 acres of freehold and leasehold land, of which 1.2 acres are freehold.

Part of the leasehold land and buildings is at present held under leases from Cardiff Corporation expiring on 1st September, 1967 and 29th March, 2063 respectively, at respective rentals of £250 per annum (rising to £235 per annum) and £500 per annum. In addition, an Agreement exists with Cardiff Corporation which is terminable on six months' notice, relating to the use by the Company of land adjoining the studios as a Car Park. This land together with further land (amounting in total area to approximately 40,572 square feet) is the subject of an agreement in principle with Cardiff Corporation whereby with effect from 25th March, 1968 a lease would be granted to the Company expiring on 25th March, 2063 at an initial annual rental of £2,175, subject to review in the 25th, 50th and 75th years, and subject to further review in the event of development exceeding 14,004 square feet being carried out thereon by the Company.

There are at Cardiff approximately 28,000 square feet of offices, service areas, facilities directly related to studios and a club house and approximately 7,400 square feet of studio space. The Master Control is situated at Cardiff and has been re-equipped for colour output. One studio at Cardiff has been equipped for colour transmission and in view of the proposed starting of transmission of UHF colour from masts in North Wales in mid 1973, further expenditure has been authorised to re-equip the film and other studio facilities at Cardiff.

The Company's premises at Bristol, which were acquired from T.W.W. Limited, have a total site area of 1.65 acres. There are approximately 45,000 square feet of offices, service areas and other facilities, and 7,200 square feet of studios. The premises are held on a lease for 99 years from 22nd September, 1961 at an exclusive annual rental of £460.

The Company has completed a major reconstruction of the

Bristol Studios and has completed the re-equipment programme for producing separate colour UHF programmes for the Bristol area from the Mendip Transmitter.

The Directors expect that by the end of 1972 the Company will be fully equipped for colour broadcasting. Expenditure already incurred or authorised on technical equipment and buildings, including that for colour broadcasting, excluding amounts paid to T.W.W. Limited, totals approximately £1,700,000.

The Company occupies office accommodation of approximately 8,000 square feet at 97/99 Baker Street, London, W.1, held on a lease of fourteen years from 19th September, 1967 at an exclusive annual rental of £20,500, subject to review in 1974.

The Company also has the following offices:

Location	Approximate Area	Tenure	Expiry Date	Annual Rental
Regent House, Regent Street, Westminster	510 sq. ft.	Leasehold	November, 1961	£346
Scottish Life House, Manchester	390 sq. ft.	Leasehold	June, 1966	£1,215
1 and 2 Glamorgan, Bangor	5,700 sq. ft.	Freehold (Purchased in July 1971 at a price of £5,500)		Subject to revision

### Management and Staff

Lord Harlech (53), who has been Chairman of the Company since its incorporation, takes an active part in its affairs. The Company has appointed local Boards for Wales and the West of England under the Chairmanship of Mr. A. T. Davies (53) and Mr. G. E. McWatters (49), respectively, who are the Vice-Chairmen of the Company. Mr. A. J. Gorard (44) has been Managing Director of the Company since October, 1967. Mr. L. J. W. Vaughan-Thomas (63) has been a Director of the Company since its incorporation and is an Executive Director. Mr. R. W. Wordley (43) joined the Company as Sales Controller in November, 1967 and was appointed Sales Director on 1st March, 1971. Mr. A. Vaughan (51) has been Programme Controller for Wales since November, 1967, and Mr. P. S. B. Dromgoole (41) has been Programme Controller for the West of England since November, 1968. Mr. W. J. Moran (42) has been Programme Adviser since September, 1967. The approximate number of persons employed by the Company is 500.

The Directors of the Company are satisfied that, after taking into account the recent call on the Non-Voting Ordinary Share Capital, the uncalculated Loan Capital and bank and other facilities available, the Company has sufficient working capital for its present requirements.

Profits and Dividends  
 The profits of £1,161,938 before taxation for the year to 31st July, 1971, shown in the Accountants' Report, were affected by exceptional factors when compared with earlier years.

Advertising revenue for the year was £464,000 in excess of that for the year to 31st July, 1970 and the increase materially exceeded expectations. In addition the Exchequer Levy on advertising revenue was reduced with effect from 28th February, 1971, which resulted in a saving for the year ended 31st July, 1971 of £261,733. The reduction in levy would have amounted to £500,073 had it been in effect throughout the year. The increase in the annual rental payable to the I.T.A. announced at the same time did not come into effect until 1st August, 1971; this rental, after including a further increase with effect from 1st October, 1971, will be £250,566 higher in the current year than in the year ended 31st July, 1971. The I.T.A. are entitled to impose, in any year, increases in rental on 1st April and 1st October based on increases in the Index of Retail Prices. Programme budgets for the year to 31st July, 1971 were drawn up on the basis of a lower level of advertising revenue than that ultimately achieved and before the reduction in the Exchequer Levy, which could not be foreseen, was announced. It was impracticable for the increase in programme expenditure which the Directors then authorised to take full effect until after the end of the year to 31st July, 1971.

In accordance with the Directors' continuing policy to expand the range and scope of the Company's programmes, they have budgeted for a substantial increase in expenditure on programmes produced by the Company in the year ending 31st July, 1972; also as a result of the Company's increased advertising revenue in the year ended 31st July, 1971, the scale of charges payable by the Company to the major programming contractors for network programmes has been substantially increased for the year ending 31st July, 1972, compared with that for the previous year. These, together with other additional programme costs, are estimated to show a total increase compared with the year to 31st July, 1971, of not less than £500,000. In addition increases in other costs are expected.

To a great extent costs in the television industry are not directly related to advertising revenue, which is dependent to some extent on factors outside the control of the Company; any variation in advertising revenue can have a disproportionate effect on the profits of the Company. The Directors expect, however, that in the absence of unforeseen circumstances, advertising revenue for the current year will be higher than in the year ended on 31st July, 1971, but are not able, at this stage in the year, to forecast the amount of this increase. The Directors therefore not prepared to forecast profits for the year to 31st July, 1972, which they expect to be lower than in the year ended 31st July, 1971. However, the Directors intend, in the absence of unforeseen circumstances, to pay an interim dividend of 7½ per cent. in April 1972 and to recommend payment of a final dividend of not less than 12½ per cent. in November, 1972, making not less than 20 per cent. for the year.

### Accountants' Report

The following is a copy of a report from the Company's auditors and reporting accountants, Messrs. Deloitte & Co., 7, Windsor Place, Cardiff, CFI 6PN—

The Directors,  
 HTV Limited,  
 The Television Centre,  
 Cardiff CFI 9XL.

Gentlemen,  
 1. We have examined the audited accounts of HTV Limited for the period from the incorporation of the company on 28th July, 1967 to 31st July, 1971, and for the three accounting years from 1st August, 1968 to 31st July, 1971, in respect of all of which periods we have been auditors of the company. The company was originally incorporated with the name Harlech Consortium Limited and the name was changed to Harlech Television Limited on 28th October, 1967, and to HTV Limited on 28th July, 1971.

A wholly owned subsidiary company named HTV Limited was incorporated on 8th August, 1970 with an authorised capital of £100 and an issued capital of £200. The name of this company was changed to Harlech Television Limited on 28th July, 1971. This company has not traded.

2. Profits before Taxation  
 The net advertising revenue, exchequer levy, miscellaneous revenue, depreciation charged in arriving at profits and the profits before taxation, arrived at on the basis stated in notes 1 to 3 below, were as follows—

	(1)	(2)	(3)	(4)	(5)	(6)
Year ended	Net Advertising Revenue before Exchequer Levy	Net Advertising Revenue after Exchequer Levy	Miscellaneous Revenue	Depreciation	Profit before Taxation	Profit after Taxation
31st July, 1968 (notes 1 and 3 (b))	2,727,205	2,727,205	2,727,205	67,875	183,140	183,140
31st July, 1969	6,246,864	1,227,231	5,119,633	91,372	177,511	177,511
31st July, 1970	1,194,252	1,279,002	1,890,359	120,126	236,828	236,828
31st July, 1971	6,621,273	759,373	5,861,900	182,370	350,273	1,161,938

Notes:  
 1. The first accounts of the company were made up for the period from 28th July, 1967 to 31st July, 1968. Revenue from advertising and exchequer levies related thereto arose from 4th March, 1968 when transmissions commenced.

2. Net advertising revenue before levy is gross advertising revenue received less discounts and commissions. The net advertising revenue shown in Column (6) above are stated—

(a) after charging all expenses of working and management including programme purchasing and production costs, I.T.A. rental, depreciation, directors' emoluments, interest payable and after making such adjustments as we considered appropriate;

(b) before deducting from the profit for the period to 31st July, 1968 the payment to T.W.W. Limited of £500,000 for the assignment of its franchise for the period from 4th March, 1968 to 28th July, 1968, and £46,500 relating to ancillary matters connected therewith;  
 (c) before writing off promotion and formation expenses of £20,238 in the period to 31st July, 1968;  
 (d) after the valuation of all unexpired film rights, film and sound libraries, scenery and wardrobe equipment, stocks and work in progress, on consistent bases throughout the period except that a change in assessing residual value of unexpired film rights at 31st July, 1970 gave rise to a charge of £50,000 in arriving at the profits for the year ended on 31st July, 1971;  
 (e) after deducting the initial cost of libraries and equipment written off as to £26,550 in the period to 31st July, 1968 and £20,238 written off in the year to 31st July, 1971;  
 (f) after charging emoluments of Directors. Emoluments for the year to 31st July, 1971 amounted to £59,583. Under arrangements now in force these amount to £26,550 per annum.

3. Net Assets  
 The net assets at 31st July, 1971 shown by the audited balance sheet at that date were as follows—

Fixed Assets (Note (a))	Investments at cost (Note (b)) (Directors' Valuation £50,000)
1,791,587	35,490
<b>Current Assets</b>	
Film rights, libraries and equipment (Note (c))	297,338
Stocks (Note (d))	164,882
Debtors and prepayments	235,995
Short Term deposit	240,000
Cash	11,287
	1,548,532
<b>Current Liabilities</b>	
Creditors' and accruals	621,700
Bills payable	43,250
Income tax	11,503
Bank overdraft (unsecured)	51,187
Final dividend (proposed and paid)	60,000
Corporation tax (Note (e))	508,759
	725,471
	1,322,230
8 per cent. Unsecured Loan Stock 1969/74	1,540,250
	712,832
Net Assets at 31st July, 1971	£1,161,938

Notes:	Cost	Depreciation	Net Book Value
(a) Fixed Assets			
Freehold property	310,571	17,454	293,117
Leasehold—over 99 years unexpired	625,643	46,196	579,447
Leasehold—under 99 years unexpired	20,386	5,374	15,012
	956,599	68,924	887,675
Technical equipment	1,824,549	71,206	1,753,343
Office equipment	691,628	61,628	629,999
Motor vehicles	48,820	23,220	25,600
	£2,624,422	£202,045	£2,422,377

The cost of certain assets included above purchased from T.W.W. Limited prior to the commencement of operations were ascertained by Messrs. Gooch and Wagnall, Chartered Surveyors, of 34/35, Ironmonger Lane, Bank, London, E.C.2, as under—

Properties at cost	Cost	Depreciation	Net Book Value
Leasehold—over 99 years unexpired	294,000	—	294,000
Leasehold—under 99 years unexpired	210,000	19,000	191,000
	£504,000		£504,000

Contracts placed and capital expenditure authorised but not yet contracted for as at 31st July, 1971, were—

Contracts placed	Expenditure authorised but not contracted
35,000	392,000
	£357,000

(b) Investments comprised—

(a) Unquoted	At Cost	Depreciation	Net Book Value
22,700 shares of £1 each fully paid in Independent Television News Limited	22,700	—	22,700
100 shares of £1 each fully paid in Independent Television Publications Limited	7,100	—	7,100
	£29,800		£29,800

(b) Subsidiary Company

100 shares of £1 each fully paid in Harlech Television Limited	At Cost	Depreciation	Net Book Value
100	—	—	100
	£29,800		£29,800

Handwritten signature: *سكسان الفصل*







A copy of this Prospectus, having attached thereto the documents specified below, has been delivered to the Registrar of Companies in London for registration. Application has been made to the Council of The Stock Exchange, London, for permission to deal in and for quotation for the £20,000,000 8½ per cent. Unsecured Loan Stock 1978/80 of Grand Metropolitan Hotels Limited now being issued. The Application Lists will open at 10 a.m. on Thursday, 4th November, 1971 and will be closed at any time thereafter on the same day.

# Grand Metropolitan Hotels



## Limited

(Incorporated under the Companies Act, 1929)



Share Capital		Issued and fully paid
Authorised		
£		
600,000	In 7½ per cent. Redeemable Cumulative Preference Shares of £1	500,000
1,217,250	In 4½ per cent. Cumulative Preference Shares of £1	1,108,686
72,585,420	In Ordinary Shares of 50p	48,246,101
10,717,330	In 'B' Ordinary Shares of 50p	10,717,330
		60,572,117
Loan Capital		Issued or now being issued
Created		£
2,750,000	7 per cent. First Mortgage Debenture Stock 1982/87	2,277,784
1,500,000	7½ per cent. First Mortgage Debenture Stock 1986/91	1,458,000
6,024,000	9½ per cent. U.S. Dollar Bonds 1986	6,024,000
3,900,000	9½ per cent. Unsecured Loan Stock 1977/79	2,839,402
1,000,000	8½ per cent. Unsecured Loan Stock 1985/90	1,000,000
2,000,000	7½ per cent. Unsecured Loan Stock 1982/87	2,000,000
20,000,000	8½ per cent. Unsecured Loan Stock 1978/80 (now being issued)	20,000,000
		35,599,188
37,174,000		30,372,138
30,525,431	10 per cent. Convertible Unsecured Loan Stock 1981/96	65,971,304
67,689,431		

In addition to the above loan capital of Grand Metropolitan Hotels Limited ("the Company"), subsidiary companies have outstanding £27,136,000 of loan capital, including fixed loans.

The Company and its subsidiaries have secured and unsecured bank and other borrowings which, at 4th October, 1971, amounted to £158,000 and £34,217,000 respectively. The Company has guaranteed the borrowings of associated companies up to a maximum aggregate amount of £1,594,000. Save as mentioned herein and apart from inter-company transactions, neither the Company nor any of its subsidiaries has outstanding any loan capital, mortgages, debentures, bank overdrafts or other similar indebtedness, charges or, except in the ordinary course of trading, any material guarantees, hire-purchase commitments or other contingent liabilities.

For the purposes of the above, conversions into sterling have been made at the exchange rates ruling at 4th October, 1971.

It is the Company's intention to apply the provisions of Section 209 of the Companies Act, 1948 in order to acquire compulsorily the outstanding Ordinary Shares and 4 per cent. Preference Stock of Truman Hanbury Buxton & Company, Limited ("Truman") for which offers were made on 27th August, 1971 and 28th July, 1971 respectively. The acquisition of the outstanding 4 per cent. Preference Stock and Ordinary Shares of Truman would require the issue by the Company of (i) 107,564 4½ per cent. Cumulative Preference Shares (ii) 141,191 Ordinary Shares (iii) £153,283 of 10 per cent. Convertible Unsecured Loan Stock 1981/96 (iv) 64,545 Warrants to subscribe for Ordinary Shares and (v) £225,906 of 8½ per cent. Unsecured Loan Stock 1977/79, or the payment of £225,906 in cash.

## Issue of £20,000,000 8½ per cent. Unsecured Loan Stock 1978/80 at £99 per cent.

Payable as follows:

On Application	at the rate of £10 per £100 of Stock applied for
On or before 14th January, 1972	at the rate of £40 per £100 of Stock allotted
On or before 28th March, 1972	at the rate of £49 per £100 of Stock allotted

£99

## S. G. Warburg & Co.

Limited

have underwritten the issue under the Agreement referred to in General Information below. The first payment of interest on the Stock, amounting to £3.20 (less income tax) per £100 nominal of Stock, will be made on 30th June, 1972. The second payment of interest amounting to £2.12 (less income tax) per £100 nominal of Stock will be made on 30th September, 1972. Thereafter interest will be payable by equal half-yearly instalments on 31st March and 30th September in each year.

**Directors**  
Maxwell Joseph (Chairman), 55, Grosvenor Street, London, W1X 9DB.  
Alan Brand Fairley (Deputy Chairman), 15, Grove End Road, St. John's Wood, London, NW8 9SD.  
Stanley Gordon Grinstead, F.C.A. (Joint Managing), Longmead, Halfpenny Lane, St. Martha's, Guildford, Surrey.  
Ernest Henry Sharp, F.C.A. (Joint Managing), 29, Hall Lane, Upminster, Essex.  
Eric Bernard, 74, Ebury Street, London, SW1W 9QD.  
Frank Berni, Rockmount, Gorey, Jersey, C.I.  
Fred Kobler, 30, Roebuck House, Palace Street, London, SW1E 5BA.  
John Edward Liley, Westington Mill, Chipping Campden, Gloucestershire.  
Samuel Moss Messer, F.R.I.C.S., Peisham, Peasmarsh, Rye, Sussex.  
Victor Mischon, D.L., 125, High Holborn, London, WC1V 8QA.  
Eric Douglas Morley, 1, Woodhall Avenue, College Road, London, SE21 7HL.  
Eric Kirby Roberts, Frithcote, Watford Road, Northwood, Middlesex.  
Derek Albert Joseph Taylor, 4, Rowan Walk, London, N2 0GJ.  
Eric Edward Williamson, M.A., 5, Swancombe, Clapton-in-Gordano, Nr. Bristol.

**Principal Bankers**  
Barclays Bank Limited, Lloyd's Bank Limited, Midland Bank Limited, National Westminster Bank Limited and The Royal Bank of Scotland Limited.

**Trustees**  
Alliance Assurance Company Limited, 1, Bartholomew Lane, London, EC2N 2AB.

**Receiving Bankers to the Issue**  
Barclays Bank Trust Company Limited, New Issues Division, P.O. Box 78, Malvern House, 72, Upper Thames Street, London, EC4P 4BJ.

**Solicitors**  
To the Company and S. G. Warburg & Co. Limited: Slaughter and May, 35, Abchurch Lane, London, EC4N 3DB.  
To the Trusts: Linklaters & Paines, Barrington House, 59-67, Gresham Street, London, EC2V 7JA.

**Auditors**  
Thomson McLintock & Co. (Chartered Accountants), 33, King William Street, London, EC4R 9EE.

**Brokers**  
Panmure Gordon & Co., 21, Austin Friars, London, EC2N 2ES, and The Stock Exchange, London.

**Joint Secretaries and Registered Office**  
Dennis John Dickinson, F.C.A. and Norman Alfred Fowler, F.C.A., Grand Metropolitan House, 7-8, Stratford Place, London, W1N 0AJ.

**Registrars and Transfer Office**  
Barclays Bank Trust Company Limited, Registration Division, P.O. Box 47, Clements House, Gresham Street, London, EC2P 2AT.

Copies of this Prospectus and of the Application Form may be obtained from—

S. G. Warburg & Co. Limited, 30, Gresham Street, London, EC2P 2EB; Panmure Gordon & Co., 21, Austin Friars, London, EC2N 2ES; and Barclays Bank Trust Company Limited, New Issues Division, P.O. Box 78, Malvern House, 72, Upper Thames Street, London, EC4P 4BJ and from principal branches of Barclays Bank Limited.

**Procedure for Application.** Applications, which must be made on the Application Forms provided, must be for a minimum of £100 of the Stock or multiples thereof up to and including £1,000 of the Stock; applications for more than £1,000 of the Stock up to and including £5,000 of the Stock must be in multiples of £500; applications for more than £5,000 of the Stock up to and including £10,000 of the Stock must be in multiples of £1,000; and applications for more than £10,000 of the Stock must be in multiples of £5,000.

Applications made by persons holding any share capital or loan capital of the Company, who were registered as holders (with addresses in the United Kingdom or the Republic of Ireland) on 11th October, 1971, will, if made on the pink forms made available to them, receive preferential consideration in respect of up to 50 per cent. of the issue.

Each application must be accompanied by a separate remittance for the full amount payable on application, namely £10 per cent., and must be forwarded to Barclays Bank Trust Company Limited, New Issues Division, P.O. Box 78, Malvern House, 72, Upper Thames Street, London, EC4P 4BJ. Cheques must be drawn on a bank or a branch thereof in England, Scotland or Wales and must be made payable to Barclays Bank Trust Company Limited and crossed "Not Negotiable". All cheques are liable to be presented for payment. If no allotment is made, or if less than the amount applied for is

allotted, the amount paid on application or the balance thereof will be returned in full by cheque sent by post at the risk of the applicant.

Payment of instalments may be made at any time before the due dates but no discount or interest will be allowed on such prepayment. Failure to pay any amount when due will render the allotment liable to cancellation and any amount previously paid in respect thereof liable to forfeiture. Interest at the rate of 9½ per cent. per annum may be charged on any instalment if accepted after its due date.

Allotment Letters will be renewable up to and including 28th April, 1972. After that date they will not be accepted for registration of renunciation and the Stock will on that date be registered in the name(s) of the original allottee(s) and thereafter will be transferable only by transfer subject to stamp duty.

Acceptance of applications (including underwriting applications) will be conditional upon the Council of The Stock Exchange, London, granting permission to deal in and for quotation for the Stock not later than Tuesday, 9th November, 1971. Moneys paid in respect of applications will be returned if such permission and quotation are not granted by that date and, in the meantime, will be retained in a separate account by Barclays Bank Trust Company Limited.

### HISTORY AND DEVELOPMENT OF THE BUSINESS

The Company was incorporated in England in 1934 and became a public company under the name of Mount Royal Limited in 1961. It changed its name to Grand Metropolitan Hotels Limited in July, 1962 following a series of mergers and acquisitions earlier in that year. In recent years the Company has made several major acquisitions of companies engaged in service industries.

The principal activity of the Company and its subsidiaries ("the Group") is the ownership and operation of high and medium class hotels and licensed and unlicensed catering. The Company currently operates 27 hotels in the United Kingdom, of which 21 are situated in London. In addition, it has a significant chain of hotels abroad in principal cities in Europe and in the U.S.A. In September, 1969 the Company acquired Express Dairy Company, Limited ("Express Dairy"), which is one of the two largest companies in the United Kingdom dairy industry. Express Dairy, which sold approximately 180 million gallons of milk in the year ended 30th September, 1971, also produces milk products such as cheese, cream, butter and yogurt and owns some 150 dairy/grocery shops.

In 1970 the Company extended its catering and entertainment interests by acquiring Berni Inns Limited ("Berni"), which has been the forefront in the development and popularisation of licensed steak bars, and Mecca Limited ("Mecca") which, in addition to its extensive interests in the field of public entertainment, operates a number of important banqueting rooms and restaurants. The catering sector of the Group now comprises the Mecca banqueting rooms and restaurants, more than 250 public and speciality houses and hotels under the Berni Inns and Chef and Brewer signs, some 90 restaurants in the Empire Catering group, and the Express Dairy tearooms and Chicken Inn restaurants. The Company's industrial catering subsidiaries supply meals to over 800 canteens, staff restaurants, clubs and schools.

Mecca's interests in the field of public entertainment include the operation of dance halls, bingo halls, chains of betting shops and gaming clubs.

More recently, in August, 1971, the Company acquired control of Truman, which owns a brewery in London and approximately 1,100 public houses, most of which are situated in the South-East of England. A subsidiary of Truman retails wines and spirits through some 90 off-licences.

#### Future Prospects

The benefits from the rationalisation and integration of the subsidiaries acquired by the Company during the last two years have still to be fully realised and the Directors believe that the prospects for continued growth and increased profitability remain excellent.

#### Proceeds of the Issue and Working Capital

The net proceeds of the issue are estimated to amount to £19,275,000 and will be applied in reducing bank overdrafts in the United Kingdom.

Taking into account the proceeds of the issue and the bank overdraft and other facilities available to the Group, the Directors are satisfied that the Group has adequate working capital for present requirements.

#### Net Assets

The pro-forma statement for the Group and Truman set out in the Auditors' Report, based on the consolidated balance sheet of the Company as at 30th September, 1970 and on the consolidated balance sheet of Truman as at 31st March, 1971, after adjusting for the acquisition of the whole of the issued share capital of Truman and the issue in December, 1970 of U.S. \$15 million 9½ per cent. Bonds 1985, shows total net assets, before deducting loan capital and minority interests but excluding the excess cost of shares in subsidiaries over the book value of their net tangible assets, of £120,996,000. Adding the estimated net proceeds of the Stock now being issued (£19,275,000) gives a total of £140,271,000. The loan capital of the Group, including the Stock now being issued, amounts to £93,107,000.

#### Profits

The Directors have re-examined the profit estimate of approximately £19 million for the year ended 30th September, 1971 made on 28th July, 1971 in connection with the offers for Truman and confirm that the consolidated profits of the Group (excluding Truman) after deducting interest and all other charges, but before deducting tax and amounts attributable to minority interests, will be approximately £19 million. This compares with £14,857,000 for the year ended 30th September, 1970.

Based on the above estimated profit of £19 million, which was arrived at after charging £4,369,000 of interest on loan capital, and on the consolidated profit of Truman for the year ended 31st March, 1971, the combined profits of the Group (including Truman), after adjusting for interest on bank overdrafts incurred on the acquisition of Truman and not to be repaid out of the proceeds of the issue, but before loan interest and tax would be approximately £26,316,000. The annual gross interest payable on the loan capital of the Group (including Truman) at present in issue, added to the annual gross interest of £1,700,000 payable on the Stock now being issued, gives a total of £7,834,000.

### PARTICULARS OF THE STOCK

The 8½ per cent. Unsecured Loan Stock 1978/80 ("the Stock") was created by a Resolution of the Board of Directors of the Company passed on 29th October, 1971 and will be constituted by a Trust Deed in favour of Alliance Assurance Company Limited as Trustee. The Trust Deed will contain provisions (inter alia) to the following effect:—

1. Interest  
The Stock will carry interest at the rate of 8½ per cent. per annum. The first payment of interest (calculated from 4th November, 1971) will be made on 30th June, 1972 and will amount to £3.20 (less income tax) per £100 nominal of the Stock. The second payment of interest will be made on 30th September, 1972 and will amount to £2.12 (less income tax) per £100 nominal of the Stock. Thereafter interest will be payable by equal half-yearly instalments on 31st March and 30th September in each year.

2. Redemption and Purchase  
(a) The Company will be entitled on or at any time after 31st March, 1978 to redeem the whole or any part (to be selected by drawings) of the Stock for the time being outstanding at par, together with accrued interest, upon giving not less than three months' notice in writing.

(b) All Stock not previously redeemed or purchased will be repaid at par, together with accrued interest, on 31st March, 1980.

(c) The Company may at any time purchase Stock either on any recognised Stock Exchange or by tender available to all Stockholders alike at any price or by private treaty at a price not exceeding £110 per cent. (inclusive of accrued interest but exclusive of all costs of purchase) but not otherwise.

(d) All Stock redeemed or purchased in accordance with any of the foregoing provisions shall be cancelled and shall not be re-issued.

3. Restriction on Borrowing  
(a) The aggregate principal amount (including any fixed or minimum premium payable on final repayment) at any one time outstanding in respect of all amounts borrowed (whether secured or not) by the Company and/or any of the United Kingdom subsidiaries (exclusive of borrowings by the Company from a United Kingdom subsidiary or by any United Kingdom subsidiary from another or from the Company) shall not exceed the amount of the share capital and consolidated reserves of the Company and its United Kingdom subsidiaries.

(b) For the purposes hereof:—

(i) Amounts borrowed shall be deemed to include the following and any fixed or minimum premium payable on final repayment thereof, except in so far as otherwise stated:—

(A) the principal amount for the time being outstanding in respect of any debentures as defined in Section 455 of the Companies Act, 1948;

(B) the outstanding amount of acceptances by any bank or accepting house under any acceptance credit opened on behalf of and for the use of the Company or any United Kingdom subsidiary;

(C) share capital and borrowed money the repayment of which is guaranteed or secured by the Company or any United Kingdom subsidiary; and

(D) any paid-up share capital of a United Kingdom subsidiary (other than equity share capital) not for the time being beneficially owned by the Company or another United Kingdom subsidiary.

(E) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(F) A proportion of the borrowings of any party-owned United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary) shall be deemed to be included in the amounts borrowed by the Company or another United Kingdom subsidiary which is not for the time being beneficially owned directly or indirectly by the Company or any of the United Kingdom subsidiaries.

(G) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(H) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(I) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(J) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(K) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(L) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(M) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(N) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(O) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(P) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(Q) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(R) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(S) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(T) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(U) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(V) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(W) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

(X) Amounts borrowed shall not include the amount of any loan which is not for the time being beneficially owned by the Company or another United Kingdom subsidiary (but only to the extent that an amount equivalent to such proportion exceeds sums borrowed, if any, from such party-owned United Kingdom subsidiary).

entertainment industry, the dairy industry and the brewing industry or any of them provided that for the purposes of this sub-paragraph any trade in a field allied to or associated with any of these industries shall be deemed to be such industry respectively.

5. Repayment of Preference Capital  
The Company will be entitled provided that the limit imposed by sub-paragraph 3 (a) above is not thereby exceeded to reduce its capital by the repayment in cash or by the cancellation for other consideration of the whole or any part of (i) its existing Preference capital or (ii) any other Preference capital issued for full consideration in money or property and in any event the Trustees shall give any necessary consent to such reduction and such consent shall be binding on all Stockholders.

6. Further Stock  
Subject to the terms hereof the Company will retain the right to issue further unsecured loan stock of the Company either so as to be identical in all respects with and to form a single issue with the Stock (in which case the further issue will be constituted by a supplemental trust deed) or on such terms, including rights as to interest, repayment, etc., as the Directors may determine.

7. Transfer  
The Stock will be registered and transferable in amounts and multiples of £1.

8. Modification of Rights  
The provisions of the Trust Deed and the rights of the holders of the Stock will be subject to modification by Extraordinary Resolution of the Stockholders as provided by the Trust Deed. In addition, the Trustees may from time to time without any consent or sanction of the Stockholders (but only if and so far as in the opinion of the Trustees the interests of the Stockholders will not be materially prejudiced thereby) assent to any modification of the provisions of the Trust Deed.

9. Indemnification  
The Trust Deed will contain provisions for the indemnification of the Trustees and for their relief from responsibility in certain events.

### AUDITORS' REPORT

The following is a copy of a report by the Company's auditors, Thomson McLintock & Co.:—

To the Directors,  
Grand Metropolitan Hotels Limited,  
7-8, Stratford Place, Oxford Street, London, W1N 0AJ.

Gentlemen,  
1. We have been auditors of Grand Metropolitan Hotels Limited ("the Company") since it became a public company in 1961. During the period from September, 1969 to September, 1970 the Company acquired the whole of the issued share capital of Express Dairy and Berni for a full year and have been adjusted to include the results of Mecca for a full year. The profits before interest on loan capital, minority interests and taxation are stated after charging all expenses including directors' emoluments, depreciation and amortisation.

2. The profits of the Group for the five years ended 30th September, 1970, arrived at on the basis defined below, were as follows:—

	The Group (before major acquisitions referred to above)				The Group (before acquisition of Truman)
Years ended 30th September	1966	1967	1968	1969	1970
	£'000	£'000	£'000	£'000	£'000
Profits before interest on loan capital, minority interests and taxation .. .. .	2,763	3,425	4,812	5,738	18,818
Interest on loan capital .. .. .	552	588	608	731	3,991
Minority interests .. .. .	2,211	2,857	3,504	5,005	14,857
Profits before taxation attributable to shareholders .. .. .	104	198	273	139	601
	2,107	2,859	3,831	4,898	14,356

3. The profits set out above are based on the amounts shown in the consolidated profit and loss accounts of the Group. We have not considered it necessary to adjust the figures for the years 1966 to 1969: the audited figures for 1970 include the results of Express Dairy and Berni for a full year and have been adjusted to include the results of Mecca for a full year. The profits before interest on loan capital, minority interests and taxation are stated after charging all expenses including directors' emoluments, depreciation and amortisation.

4. The profits before taxation, after deducting minority interests, shown by the published audited accounts of Express Dairy, Berni and Mecca for the last four complete financial years prior to acquisition were as follows:—

	1965	1967	1968	1969	1970
Express Dairy (years ended 31st March)	£'000	£'000	£'000	£'000	£'000
Berni (years ended 31st May) .. .. .	3,159	3,132	4,040	3,454	3,454
Mecca (years ended 31st December) .. .. .	828	1,167	1,513	1,451	1,451
The issued share capitals of Express Dairy, Berni and Mecca were acquired partly for shares and partly for 10 per cent. convertible unsecured loan stock and cash. The interest on such loan stock and cash charged in arriving at the Group profit before taxation of £14,356,000 for the year ended 30th September, 1970 shown in paragraph 2 above amounted to approximately £2,863,000.	1,840	1,672	2,468	1,522	1,522

5. On 28th July, 1971 and 27th August, 1971 the Company offered to acquire all the issued share capital of Truman Hanbury Buxton & Company, Limited ("Truman") which it did not already own. By 29th October, 1971 it had acquired over 98½ per cent. of the Truman ordinary shares and over 91½ per cent. of the preference stock. The profits shown by the published audited accounts of Truman for the five years ended 31st March, 1971 were as follows:—

	1967	1968	1969	1970	1971
Years ended 31st March	£'000	£'000	£'000	£'000	£'000
Profits before interest on loan capital, minority interests and taxation .. .. .	2,253	2,588	2,868	2,861	3,117
Interest on loan capital .. .. .	182	292	236	315	483</







## ADVERTISEMENT

# DATA SOLVE INTERNATIONAL

## A Workmanlike Base for Future Expansion

By TED SCHOETERS

"Presentable, workmanlike, but certainly not lavish; having the undoubted attraction that there is plenty of room to expand," is the way in which Mr. Clive Richards, chief executive of DataSolve International and of Rothschild Investment Trust describes the new DataSolve headquarters in Old Broad Street.

Ceremonially opened to-day by Mr. Harold Wilson, the premises are a conversion of a former Salvation Army hostel and apart from a high efficiency air conditioning system which has cost around £30,000, comparatively little has been expended compared with the very large sums this so-called glamour industry generally seems to lay out on the launching of new operations or services.

### Wary approach

But the whole approach of DataSolve and of its senior management appears much more wary than that of most of its contemporaries. Offering a series of services right across the computing market, the company has sensitive feelers out all the time and it cannot have

been a particularly happy moment for the management when, in early April, Rothschild Investment Trust consolidated its Concord Computer Centre under the DataSolve International name.

At the time, software services were feeling the very severe pinch which came after devaluation had been completed and all the "fire brigade" program and systems staff had gone back from clients to their own offices. The downturn had been expected—it was worse than anticipated because of the economic situation.

This is why, for several months, DataSolve has sought stability rather than fast growth through new acquisitions. "Stability at a time when some resounding failures were unsettling the whole services market was of considerable importance to us," says Clive Richards. "We could have taken over several much-publicised organisations, but it would not have been wise, however technically glamorous they may have been. We limited our acquisitions to two relatively small groups."

"For this reason we weathered

the storms in the March-June period better than most and we are still making a profit."

As a result of this philosophy, uncommon in an industry only too deeply influenced by the heady years of 30 to 50 per cent. growth rates in America, the DataSolve operation has seen turnover increase from an annual rate of about £11m. in April to around £15m. now. Despite the spectacular failures mentioned above, the company has gained a number of new customers so that the earlier predicted growth rate for the year of 15 per cent. has improved to over 20 per cent.

### No pressure

The company has not been under any real pressure to grow by acquisition, even though this would be an easy enough operation at the moment, particularly in the area of software. It is in the fortunate position of being able to pick and choose and, this is important, because Clive Richards foresees a long period of marketing-led strategy ahead. "People are going to have to price what they sell first. There will be no more headlong rushes

into high technology for technology's sake with the inescapable need thereafter to sell a dear product to cover costs. "There is going to be a good resetting period," he insists.

This does not mean the company is steadfastly holding to the batch processing approach. Indeed the International Computers 1903A which the centre houses is to be superseded in about six months by the much more powerful 1904A. With this machine—which it is easy to upgrade to a 1904S—DataSolve will be able to offer remote batch work and time-sharing operations if users want them and if the operation can be shown to be profitable. One source of greater confidence in the future is seen as the greater stability of the salary structure and the disappearance of the feverish job mobility of the second half of the 1960s, which has been a most serious problem for data processing managers.

Clive Richards and his management team have been studying the European position very closely during the great debate on the Common Market. It has been decided that the best way for DataSolve to expand into

Europe is through an alliance rather than a conquest. Therefore the company is seeking to move closer to a similar organisation in France, Belgium or Germany—France most probably—by means of a share exchange. The group most likely to become DataSolve's partner cannot yet be named. However, it has followed the same cautious and steady approach as the latter.

For the immediate future, Richards sees further expansion of DataSolve's important "rescue" work. This is done

when a company is running a relatively small computer, finds that the workload is outstripping the latter's capacity but judges that the cost of moving to a larger machine is unacceptable. DataSolve can take over in situations such as these and propose solutions which impose far less of a financial burden on the computer owners.

Another source of revenue is likely to be the trend to offload on to service bureaux certain standard routines the latter are known to do well. In DataSolve's case these may generally be on the finance side though the company is handling every

routine encountered in business.

Finance and insurance work is nevertheless the area in which the group has established a solid reputation. It runs the Weld Durlacher management information service on which London Stock Exchange dealers rely for opening book positions produced by computer overnight from the previous day's trading figures. But through other centres in London and the provinces there are many other types of service to draw

DataSolve now counts some 250 professional staff and has six machines at its disposal, of

which the Old Street installation is the latest.

This machine—a 1903A from ICL which is operating, so to speak, as a pilot for the bigger machine—has been housed by an ICL subsidiary known as Dataset. This organisation's Dataspace Division designed and supervised the installation of support equipment for the computer. Original ground flooring was adapted to provide a computer suite, giving an area of about 1,850 square feet.

A raised modular floor provides cabling space as well as a return path for the air delivered to the rooms through the false ceiling. Double glazing excludes

noise and provides better temperature control.

A plant room in the basement houses the air-conditioning equipment and the electrical distribution unit while the six compressors and the condenser are situated at the rear of the building.

It is never easy to remodel old premises to suit the exacting conditions required for successful computer work. But in this instance, where serviceability was the key word rather than prestige, an adequate job was done with an economy in keeping with the company's practice of tight financial control over all its operations.

## Planning for Bigger Computer Capacity

Equipment at the Old Street centre being opened to-day is built around an International Computers 1903A, a machine brought out by the company when it decided that the time was right to move from discrete electronic components into integrated circuit technology.

As it stands, the computing system with its 32,000 words of core store, three disc files of 8m. words each, two line printers and eight tape decks, represents a total investment of between £250,000 and £300,000.

But the company is not standing still and demand for services from clients is advancing all the time so that in the very near future, the store will be increased from 32,000 to 48,000 words.

This rented system is to be replaced in the course of the next year by a much larger computer which will have the capability of maintaining a same time, a study is in progress of the requirements of users who may at some time want to move over to a system where, from a terminal in their own offices, they can obtain access to and use the central machine at Old Street as if it were part of their own computing equipment.

It will have a great deal more ancillary equipment than the

current unit. The array of magnetic tape drives will be raised to ten and it is intended to select these from the faster range suitable for operation with the 4A. There will be two paper tape readers instead of the single one now operating and there could be an early decision to move over to discs with capacities of 30m. characters each.

### More equipment

In its initial layout, the new machine and its supporting units will represent a capital value of at least £400,000.

If such units are selected, they could initially provide some 90m. character of storage which they could ultimately be raised to 300m. if required.

Towards the end of 1972 there is a possibility that the core of the 1904A will be in-sharing. Specialist services, it is created considerably to a total of 128,000 characters. At the quickly in the past two years, providing comprehensive engineering design and calculation support to engineers all over Britain. But installation of terminals to provide a very wide support of ordinary business activities is only just getting into its stride and the move has

This is not an easy move to make, nor it is a low-cost form of computing. But several organisations already are using this design of computer as the nucleus of a network of Office lines linked to terminals, some of which are many miles away.

If and when the company goes into the time-sharing field it will follow a large number of other organisations who have applied 1904A's for this purpose. They include the West Midlands Gas Board; Computel; the Radio and Space Research Laboratories; Mullard, BEA, Unigate, the Co-op and British Steel, among others.

It would be wrong to conclude from this that the company will be a very late-comer to the field of general time-sharing. Specialist services, it is true, have expanded very quickly in the past two years, providing comprehensive engineering design and calculation support to engineers all over Britain. But installation of terminals to provide a very wide support of ordinary business activities is only just getting into its stride and the move has

Continued on next page

## Everything down to the air they breathe

Buying a computer is one thing. Finding a suitable place to install it is quite another. Once DataSolve had decided to purchase an ICL computer for their City venture, they were faced with just this problem.

At this point Dataspace, a newly formed division of ICL's Dataset, were called in to survey and advise on suitable locations for the installation of the ICL computer.

Dataspace were then asked to prepare a quotation for the whole installation, to include a ground floor computer suite for an ICL 1904A and a basement plant room for air conditioning.

Because of Dataspace's familiarity with ICL computer environment, they were given a free hand in the complete planning and design of the project.

Much to their client's delight, Dataspace completed the total project on time—they were only 12 weeks on-site—and within the agreed budget.

### Benefits

The benefits Dataspace offer the prospective computer buyer are numerous. Although Dataspace is a division within the ICL group of companies, it is well equipped to accommodate any make of computer and ancillary services.

Because data processing systems require closely controlled environmental conditions in which to operate, Dataspace will undertake to execute entire building contracts.

But it is often neither convenient nor economical to build new premises for computers. So, as can be seen at 88 Old St., existing buildings are utilised, sometimes necessitating total redesign of interior structure.

By accepting complete responsibility for the satisfactory installation of services—everything from initial site survey to maintenance—Dataspace relieves its clients of a great deal

of work and anxiety. DataSolve can testify to this.

### Total Involvement

With an ICL computer system, Dataset's computer supplies, and a Dataspace designed computer suite and air conditioning plant, the ICL group of companies are proud to have been so totally involved in the launching of DataSolve's City project—totally involved to the extent of providing everything, down to the

air they'll be breathing at 88 Old St.



International Computers

For more information about the Dataspace service, telephone or write to:  
Len Crosby, Dataspace Division, Dataset Ltd.,  
Arena Hse., The Broadway, Letchworth, Herts.  
Telephone: 04626 4211.

**DATASPACE**

## from floor to ceiling

Tylin fitted out DataSolve's new premises—suspended ceilings, partitioning, carpeting, decorations, plumbing and all electrical work—the lot.

**Tylin**

Tylin CAE Limited,  
Hodford House, High Street,  
Hounslow, Middlesex.  
Telephone 01-572 2461  
A Tate & Lyle Company

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## Marketing for profitability



A patient in Charing Cross hospital undergoing a cardiac analysis on a computer in Belgium through an international data link. This demonstration was staged recently by DataSolve International for cardiologists and Ministry of Health staff. It relied on a system developed in the U.S. and in use there for 12 months. The results of the analysis are available within 30 minutes by Telex from the Brussels centre but this time could be greatly reduced by setting up such a service in Britain.

"Part of the present malaise in the computing services industry is a general lack of marketing expertise," says Mr. A. J. Woolnough, sales and marketing director of DataSolve. Hastening to add: "I am not a computer man, my background is in general management," he says quite bluntly that in too many instances data processing centres have been entirely developed by the technicians who put the machines first and then tried to sell their capacity.

Too many centres are therefore production-oriented; marketing and user problems "come pretty far down the list." Indeed, in some instances, marketing in its proper sense does not exist. This was perhaps not too hard to live with when the industry was growing by leaps and bounds but in the tough competitive conditions that to-day prevail, an attitude such as this carries the seeds of disaster.

This is not to say that DataSolve will always be trembling on the brink of new systems or new applications for them. The group "must stay in the forefront of technical advances in machines"—hence the 1903a and the 4a with its time-sharing capability. But "let's see the profit first," is rule number one according to Mr. Woolnough.

Looking at the history of the group, he and his predecessors appear to have applied this rule throughout its existence.

The result is a compact organisation which is running machines similar to equipment which commands something like 80 per cent. of the market by value. Mr. Woolnough indicates that the machine mix is being quite deliberately maintained to make access to such a large market slice simpler. Odd man out perhaps is the Leo 3 computer but the value of this machine and of the program suites built up over a period of years to run on it cannot be over-stated.

Leo was carrying out multi-programming and multi-processing some five years before the system and to be capable of taking a large amount of information at high speed, but the techniques which it will employ for the transmission of computer "talk" have yet to be decided. Nevertheless, the Post Office may make a start on the system in the not too distant future.

main program suites running on this machine. The stock exchange prices service built up by the company—largest jobbers on the market—was probably the most important outcome of this work which gained a considerable reputation for the team which carried it out and ensured prompt response when the company threw open spare capacity to outside users after a decision to go into bureau operation.

### Staying in front

Meanwhile two firms of Lloyds Syndicate accountants—Towley Pemberton and Co. and Neville Russell and Co.—were setting up a joint organisation named Rowley Russell to own and operate a computer service for clients on the accounting and statistical side. Work began on a 1004 obtained via ICL and was then moved on to an ICL 1901 at the Camden Computer Centre. Spare capacity also was marketed as a bureau service.

Business techniques and especially those linked with insurance and the motor industry were built up over a period of years until, in 1969, Wedd Durlacher and Mordaunt acquired Rowley Russell. In June, 1970, this grouping was renamed the Concord Computer Centre and in October of that year it became a wholly owned subsidiary of Rothschild Investment Trust.

This was the kernel of the DataSolve operation, but it was very soon enlarged by the addition of the bureau which originated in the activities of Devitt Langton and Dawney Day, Lloyds insurance brokers and underwriters. These began on an IBM 360/20 at a centre in Fenchurch Street as a support to the work of group companies but were soon extended to cover such other jobs as the processing of data for the AA Motor Policy scheme. This specialist section was added to Concord in January this year.

Staff at work on part of the equipment forming the 1903A computer system now in use at the DataSolve headquarters in Old Street. The system represents a total installed value of between £250,000 and £300,000 and is to be enhanced in the near future.

But there were other computer operations in which N. M. Rothschild had a significant interest. These were located at Guildford and Romford under the name Computeraid and operated identical IBM 360/30s. There was also a subsidiary in Manchester, DataSolve—running an ICL 4150 after a long period on a Leo 3.

Altogether this organisation was operating about £1m-worth of equipment and totalled 200 staff. The Rothschild interest was increased to 26 per cent. in 1969 and finally, in February this year, Computeraid joined with the Concord operation to form what is now known as DataSolve International, a group with a 66½ per cent. holding by Rothschild Investment Trust, the balance being held by Computeraid Holdings.

Computeraid brought with it a large force of trained staff and experience in general bureau work on three varieties of computers. Added to the specialist knowledge of banking, finance and insurance of the other partners in DataSolve International, this made a formidable array of talent to draw on.

The equipment now available generally provides, back-up within the company, the Old Street complex being able to rely on an ICL 1901A at Kingsway and the 360/40 at Guildford or a 360/30 at Fenchurch Street. For the Manchester 4-50 special arrangements have been made to run on a similar machine outside the group if need be, though some of the new program suites have been written to operate either on the 360s or the latter equipment.

### Trained staff

Because of the history of the group the marketing organisation offer a broad set of services from each of the three marketing centres. These include facilities management and turnkey work; consultancy and education—both for company and other people's data processing staff; and besides the bureau operation, major software support as well as consultancy and the provision of specialist stationery.

Companies always have tended to come to the organisation for specialist software packages in the financial area, according to Mr. Woolnough. Also, the simple fact that the

company has Rothschilds as a major backer means that DataSolve gains credence with many large organisations on introduction. But apart from that undoubtedly great advantage, the constituent companies had established a reputation for stability which has been lacking in this sector of the computing scene. "We do not have to fight to establish our credibility," Woolnough says.

Over the years, the group has built up a simple marketing philosophy which is to work anywhere if it can be shown that the operation can be run effectively and profitably. "We are not going into real-time computing and terminal operation because it is a nice, advanced thing to do."

"This is probably the application of the future and we will have a real-time facility by the time the market we serve is ready for it," Woolnough declares.

This philosophy is a far cry from the "isn't technology wonderful?" school of operations, but it is likely to carry its holders along a path of steady expansion long after the names—but perhaps not the effects—of the mushroom companies have been forgotten.



## Bigger capacity (Contd.)

Continued from previous page

not been helped by recent failures in this area of the market. Nevertheless, because existing bureau clients more and more are tending to welcome the idea of being able to gain immediate access to the computer equipment they are using, without having to leave their own offices, there is pressure on service centres to provide such facilities.

Already, some of the largest bureaux have made confident claims that they can halve the cost of computing for the small to medium organisation using their own data processing equipment and it is certain that a great deal of business is being captured in this way at the

moment, both from unhappy computer users who are getting rid of their current equipment earlier than obsolescence would have warranted, and from prospects for the new small machines who are daunted at the idea of recruiting or training staff, setting up air-conditioned facilities and writing all the software they need for their own in-house routines.

### Little doubt

There is little doubt that many companies are now becoming "computer shy" and would much rather delegate the function of evaluating and selecting equipment—and running it—to people who have an obvious

Further impetus to the growth of large networks linked into services which have a reputation as providing expert support in banking, insurance, design, construction problems and so on will be given by the provision of a national data communications network on which administrative decisions are believed to have been taken.

The network is expected to be independent of the telephone system and to be capable of taking a large amount of information at high speed, but the techniques which it will employ for the transmission of computer "talk" have yet to be decided. Nevertheless, the Post Office may make a start on the system in the not too distant future.

## New corporate headquarters for the DataSolve International Group of companies

DataSolve International is a highly successful computer services group, whose clients include some of the world's largest companies. Its success stems from the skilled management and sound business disciplines applied to all its projects.

The Group's wide experience covers the running of IBM 360, ICL 1900 and System 4 bureaux, complete with the consultancy, system design and programming, data preparation and training services essential to ensure the successful implementation of projects of all sizes and complexity.

In addition, DataSolve International provides the following packages: Purchase Ledger; Payroll; Nominal Ledger; Sales Ledger; Sales Analysis; Production Control; Production Forecasting; Stock Control; Share Registration; Test-Prog; Insurance Brokers Ledger; Underwriting Statistics.

From the Group's processing centres in London, Manchester and Guildford a highly skilled field force provides the ideal solution for geographically



DataSolve International's new headquarters at 88 Old Street, London EC1

dispersed companies who wish to make use of the professional and specialised skills offered by the Group. The Group also operates a printing subsidiary—the DataSolve Press Ltd.—which specialises in business management and computer type documents.

If you have any data processing problems—any problems—get in touch with us at head office or at any of our other locations.

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